# COVER SHEET

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S.E.C. Registration Number

ANGLO PHILIPPINE HOLDINGS CORPORATION

(Company's Full Name)

6th Floor, Quad Alpha Centrum BuiLding, 125 Pioneer Street ManDaluyonG City

(Business Address : No. Street City / Town / Province)

Atty. Adrian S. Arias

Contact Person

+63(2)86315139

Company Telephone Number

**SEC FORM 17-A**

(with Audited Financial Statements 2019 & Sustainability Report 2019)

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|---|---|---|---|---|
| *Month* | *Day* | **FORM TYPE** | *Month* | *Day* |

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3 0 8 2

Total No. of Stockholders

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

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**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-A**

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the Fiscal Year ended : **31 December 2019**

2. SEC Identification Number : **14102**

3. BIR Tax Identification Number: **041-000-175-630**

4. Exact name of registrant as specified in its charter: **Anglo Philippine Holdings Corporation**

5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code : (SEC Use Only)

7. Address of principal office : **6th Floor Quad Alpha Centrum Building**
   **125 Pioneer Street, Mandaluyong City 1550**

8. Registrant's telephone number, including area code: **(632) 8 631-5139; (632) 8635-6130**

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA:

| Title of Each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| **Common stock (P1.00 par value)** | **3,003,302,538 shares** |
| **Loans Payable and Long Term Debt** | **N/A** |

11. Are any or all of these securities listed in the Philippine Stock Exchange: **YES**

12. Check whether the registrant:

    a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and Rule 17(a)-1 thereunder and Sections 26 and 141 of the Corporation Code during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).
    **Yes [ X ] No [ ]**

    b) has been subject to such filing requirement for the past 90 days.
    **Yes [ X ] No [ ]**

13. Aggregate market value of the voting stock held by non-affiliates: **P343.4 million**
**(497,653,662 Shares @ P0.69/share as of December 31, 2019)**

14. Document incorporated by reference: **2019 Audited Financial Statements**

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business and General Information

### (a) Description of Business

### (1) Business Development

Anglo Philippine Holdings Corporation (the "Company") was incorporated in 1958, originally as an oil and mineral exploration company with the corporate name of *"Anglo Philippine Oil Corp."* In 1996, the Company changed its primary purpose to that of an investments holding firm focused on natural resources, property development and infrastructure, and changed its corporate name to *"Anglo Philippine Holdings Corporation"*. On September 14, 2006, the SEC approved the Company's Amended Articles of Incorporation extending the life of the Company for another fifty (50) years from June 25, 2008.

On December 18, 2012, the Company acquired 100% ownership of Vulcan Materials Corporation (VMC). VMC was registered with the Philippine SEC on September 12, 1991 and is involved in the exploration and development of mineral and aggregates resources.

On December 21, 2015, the Company acquired 97.59% ownership of Tipo Valley Realty, Inc. (TVRI), a company involved in property development.

On September 26, 2016, SEC approved the incorporation of ***Anglo Philippine Power Corporation (APPC)*** (100% owned) to spearhead the Company's foray into the power generation business and presently evaluating various renewable energy projects for future investment and is still in its pre-operating stage. Subsequently, **APPC** formed a new wholly-owned subsidiary, **Bataan Aggregates Corp. (BAC)**, which will engage in sand and gravel quarrying. SEC approved the incorporation of BAC on May 4, 2017.

On October 2019, **BAC** sold its quarry equipment to Concrete Stone Corp. and paid over the proceeds of the sale to APPC in settlement of BAC's debt.

<u>Natural Resources</u>

**Vulcan Materials Corporation (VMC)** (100% owned) posted a net loss of P0.3 million for 2019, compared to a net loss of P34.3 million in 2018.

VMC ceased its operations effective December 2017 following the sale of its crushing plant and exploration/production rights over the Montalban quarry to Big Rock Aggregates Corporation.

***Anglo Philippine Power Corporation (APPC)*** (100% owned) is presently evaluating various renewable energy projects for future investment and is still in its pre-operating stage.

APPC wholly-owned subsidiary, **Bataan Aggregates Corp. (BAC)**, commenced its commercial operation in January 2018. BAC produced 34,122 cbm of aggregates as of September 30, 2019. On October 2019, **BAC** sold its quarry equipment to Concrete Stone Corp. and paid over the proceeds of the sale to APPC in settlement of BAC's debt. BAC registered a net loss of P2.8 million in 2019, compared to a net loss of P18.2 million in 2018.

For year 2019, **The Philodrill Corporation (OV)** (34.32% owned) registered a consolidated net loss of P63.2 million, compared to a net loss of P261.9 million in 2018.

The Galoc wells continue to produce at an aggregate output of around 2,042 bopd and total production has reached about 22.09 million barrels as of December 2019.

**United Paragon Mining Corporation (UPM)** (25.69% owned) UPMC posted a net loss of P46.9 million in 2019, compared to a net loss of P59.1 million in 2018. UPM has received a new exploration permit last August 24, 2018 and the Company is now working on the final year of the implementation of its 2-year approved exploration work program. The Company is expecting to finish the implementation of the exploration work program in year 2020 before its expiration date on August 20, 2020. However, due to COVID 19 pandemic, the Company filed a one (1) year extension due to force majeure on June 22, 2020.

**Atlas Consolidated Mining & Development Corp. (AT)** (28.64% owned) posted a consolidated net loss of P565.0 million in 2019, compared to a net loss P1.7 billion in 2018.

Pending the transfer of its petroleum assets, the Company continues to participate in the following **Oil Exploration** contracts:

| | | |
|---|---|---|
| Service Contract 6A | Octon, NW Palawan | 11.11000 % |
| Service Contract 14D | Tara, NW Palawan | 2.50000 % |
| Service Contract 53 | Onshore Mindoro | 5.00000 % |
| Service Contract 41 | Sulu Sea | 1.67900 % |
| SWAN Block | NW Palawan | 33.57800 % |

**SC- 6 Block A (Octon)**

The DOE approved in January 2019 the proposed Octon Block WP & B for CY 2019. The proposed activities include seismic attribute study on the northern block of SC 6A aimed at maturing a potential drilling location for an exploratory well, and contingent programs of preparing a preliminary well design and proposal as well as scoping project economics. Philodrill, as Operator, aims to be able to identify a possible well location at the central fault of the West Malajon-Salvacion-Saddle Rock anticlinorium within the current program.

The SC6A Joint Venture is currently evaluating the offer of Tamarind Resources to undertake high-level technical and economic studies on the Octon discovery. Following preliminary discussions. Tamarind submitted a work pan to activities anchored on the formulation of a Field Development Plan (FDP) for the Octon discovery which the JV adopted and submitted to the DOE for approval as supplemental CAPEX to the DOE-approved 2019 SC 6A WP&B. Eventually, a draft farm-in agreement over a portion of the southern area of SC 6 covering the Octon field discovery was crafted and is currently being negotiated. As envisaged, Tamarind gets to earn the maximum 58.88% participating interest in the Octon Field sub-block. Consortium partner PetroEnergy Resources has been designated to assist in the negotiations regarding the Tamarind farm-in.

While these negotiations are ongoing, Philodrill continued evaluating the northern block of SC 6A to establish a better understanding of the reservoir distribution of the Galoc reservoir sands to be able identify and propose a drilling location to test/appraise the Central Fault Block of the Malajon-Salvacion-Saddle Rock structure. At the same time, the Operator continued its parallel in-house work on the Octon Field to validate Tamarind's evaluation of the Octon discovery in the southern block.

Moving forward, Philodrill submitted and secured the DOE's approval of the 2020 WP&B for SC 6A which will progress the technical evaluation works in the northern and southern sectors of the SC with the end view to identify and propose to the JV consortium a final exploration drilling location in the Central Fault Block and to identify additional resources and appraisal opportunity on the Octon discovery and surrounding areas.

**SC-53 (Onshore Mindoro)**

Block operator Mindoro-Palawan Oil & Gas Inc. (MPOGI) had not provided updates as to their plans for the block, specifically the activities to execute the Joint Venture's commitments including the drilling of Progreso-2. In 2018, the DOE already instructed MPOGI to secure a Certificate of Pre-Condition from the National Commission on Indigenous People (NCIP) whichwill enable the lifting of the moratorium on activities, thus allowing the conduct of drilling activities in SC 53.

For its part, Philodrill assisted Gas2Grid, the operator of SC 44 in onshore Cebu, which earlier indicated interest on the Progreso Project through possible drill-for-equity with the Onshore Mindoro joint venture. While MPOGI did not provide details of their negotiations with Gas2Grid, the operator disclosed that they were also entertaining expression of interest by another group for possible farm-in to Onshore Mindoro Block.

In a letter to MPOGI dated June 14, 2019, the DOE terminated SC 53 due to the operator's continued failure to comply with their reportorial obligations. This came as a big surprise as the non-operator partners (Philodrill, Anglo Philippine Holdings and Basic Energy) as they had all have been demanding MPOGI, to rectify the operator's operational deficiency. Neither the operator nor the DOE notified the other JV partners of the contract termination, as the partners only came to know of the decision during a verbal inquiry with DOE on July 4, 2019.

Immediately a Motion for Reconsideration (MR) on the termination of the SC was submitted to the DOE on July 8, 2019 and during an audience with the DOE on July 12, 2019, the Non-Operator partners manifested to reconstitute the Joint Venture and agreed to continue the service contract and deliver the SC53 commitments. The DOE, up until now, is still evaluating the merits of the MR.

While the MR was pending with the DOE, Philodrill assuming the role of de facto operator coordinated with Newrest SOS (NSOS) for the settlement of the outstanding JV obligations that MPOGI failed to settle with NSOS, principally rental and lease of spaces at the Mabini ESB where long-lead items (LLIs) intended for the Progreso drilling project are currently stored.

Upon recommendation of NSOS, Philodrill also negotiated and eventually engaged third-party contractor ACE Tubular Service, Ltd which did an inspection and assessment of the current condition of the LLIs for future use and/or disposal or sale. Results of the inspection work were presented to the partners in December 2019. Despite settlement of the storage fees dues NSOS, the Joint Venture realized that the continued storage of the LLIs will incur costs while waiting for the DOE decision on the still pending MR. Philodrill then sought and was granted approval by the DOE for the sale of the inventory to Felpet Trading and Materials Recovery Services which was selected through competitive bidding.

**Sulu Sea (formerly Service Contract 41)**

The DOE launched the Philippine Conventional Energy Contracting Program (PCECP) in November 2018. Philodrill and bid application partner PXP Energy submitted in August 15, 2019 a joint bid over Area 7 in Sulu Sea, one of the 14 pre-determined areas on offer. Area 7 was formerly covered by Service Contract 41 in which both Philodrill and PXP Energy were joint venture participants. During the opening of bids, the joint venture Philodrill/PXP application was assessed to have successfully satisfied the criteria set for the contracting round. This was confirmed in writing by the DOE in September when they accepted the bid for further substantive legal, financial and technical evaluation.

PNOC –Exploration Corporation (PNOC-EC) expressed interest in exercising its option to take in 10% participating interest once a new service contract is awarded over the area. Similarly, Oriental Petroleum also expressed its interest in joining the Joint Venture for Area 7. Philodrill had advised these companies to wait until after has completed evaluation of the application so as not to undermine the PCECP process.

In November 2019, the DOE advised that processing of bid applications and awarding of new service contracts is being held in abeyance specifically in areas under the jurisdiction of the Bangsamaro Autonomous Region in Muslim Mindanao (BARMM) until an Executive Order (EO), currently being drafted by the DOE, is signed by the President. The said EO clarifies the extent of BARMM's participation and entitlements from energy contracts within BARMM.

The Company has an existing agreement with TPC to acquire a portion of the interest that may be awarded to TPC in the area.

**SC-14 Tara Block**

Plug and Abandonment and Decommissioning Activities

Philodrill continued and completed the suspended plug and abandonment (P&A) program for the Tara South-1 and Libro-1 wells in compliance with government regulations and good industry practices. In 2014, a program for the P&A of these wells together with Pandan-I, were carried out. However under this campaign only the P&A of the Pandan-I well was successful and similar attempts on the Tara South-I and Libro wells failed. This year, Philodrill with the approval of the joint venture continued the remedial P&A of these two wells under a new program and on behalf of the SC 14B and SC 14 Tara Block consortia engaged the services of contractor CET Consultancy Limited for the project. The remedial P&A of the two wells were successfully completed in May 2018 below budget and on schedule.

**SWAN BLOCK (Deepwater Northwest Palawan)**

Philodrill continues to evaluate all available exploration data on the deep-water area offshore NW Palawan, particularly in areas previously covered by the SWAN Block. This is in line with the planned participation of Philodrill in the farm-in program of PNOC-Exploration Corporation in Service Contract 57 and possible participation in exploration venture on other deep-water blocks in the West Philippine Sea region. An initial meeting with PNOC-EC was held in September last year for the initial review of technical data in SC 57 under a Confidentiality Agreement.

Additional information required by Item 1 (a) also contained in Note 10 to the Company's 2019 Audited Consolidated Financial Statements.

<u>Property Development</u>

**Tipo Valley Realty, Inc. (TVRI)** (97.59% owned) – For year 2019, TVRI posted a net loss of P4.5 Million, compared to a net loss of P4.3 million for the same period in 2018. In August 2019, TVRI obtained DAR approval of its conversion application involving 243 parcels of land with an aggregates area of 257.0561 hectares located in Hermosa, Bataan. The Company is in the process of complying with post-approval conditions. Furthermore, TVRI has acquired an additional of 134,297 square meters for possible access to the site.

The Company likewise continues to maintain 15.79% interest in ***MRT Development Corp.*** which generates revenues from concessionaire rentals and advertising fees in the MRT stations.

Infrastructure

The Company continues to maintain its 18.6% equity in ***MRT Holdings, Inc.***, the indirect majority owner of the Metro Rail Transit Corporation (MRTC). As of end-December 2019, average ridership is about less than 100,000 passengers per day.

Other Investments

The Company has minority investment in ***Brightnote Assets Corporation***, a holding company organized for the purpose of investing in the Calabarzon area.

***Filipinas Energy Corporation (FEC)*** has not undertaken any business operation since its incorporation due to the deferment of the transfer of the Company's oil and mineral assets.

**NO** bankruptcy, receivership or similar proceeding has been filed by or against the Company and/or its subsidiary during the last three (3) years.

**NO** material reclassification, merger, consolidation, or purchase/sale of a significant amount of assets, not in the ordinary course of business, has been undertaken by the Company and/or its subsidiary during the last three (3) years, ***EXCEPT*** (i) the acquisition of additional shares in AT last February 27, 2017 and August 11, 2017, for 25.1 M shares and 819.9 M shares, respectively, thereby increasing the Company's ownership therein from 8.37% to 28.64%.(ii) the sale of quarry equipment of Bataan Aggregates Corporation, subsidiary of Anglo Phil. Power Corp.

**(2) Business of Issuer**

**(A) Description of Business**

The Company is an investment holding firm focused on, and maintaining investments in, natural resources, property development and infrastructure. The Company also maintains minor investments in diversified pioneer projects with attractive economic returns.

VMC is involved in the exploration and development of mineral and aggregates resources.

TVRI is involved in property development.

APPC intends to get involved in power generation.

FEC is a petroleum and mineral exploration company which has not undertaken any business operation since its incorporation due to the deferment of the transfer of the Company's petroleum and mineral assets.

(i) Principal products or services and their markets - The Company, as an investments holding firm, does not generate sales or revenues from the sale of any product or service; rather, the Company generates revenues and income, principally: (a) from its investments by way of dividends received from, and/or equitizable share in the earnings of, investee companies; and, (b) sale of investments or of the securities to which the investment may have been converted, including interest income earned by such securities.

VMC holds an operating agreement to explore and develop the area covered by MPSA 070-97-IV located in Rodriguez, Rizal and to sell the aggregates products derived and processed therefrom. The principal buyers of VMC's aggregates are various local construction companies. The company ceased its operations effective December 2017 following the sale of its crushing plant and exploration/production rights over the Montalban quarry to Big Rock Aggregates Corporation.

TVRI is currently in the process of applying to develop about 201 hectares, more or less, of its land in Hermosa, Bataan, adjacent to the Subic Bay Freeport Zone, into a Special Economic Zone.

(ii) Percentage of sales or revenues and net income contributed by foreign sales – The Company do not have foreign sales.

VMC, TVRI and APPC do not have foreign sales.

(iii) Distribution methods of the products or services

VMC and BAC does not have any distribution method for its products.

TVRI has no products or services yet to sell or distribute.

(iv) Status of any new product or service – Not applicable.

(v) Competitive business conditions – With its avowed vision/mission of *"Helping Build the Filipino Future"*, the Company focuses its investments in natural resources, property development and infrastructure projects.

The property development sector is enjoying a boom as more development projects are undertaken to satisfy rising demands from overseas Filipino workers (OFWs), new business ventures, and a growing working class who prefers to live and work nearby to avoid severe traffic conditions in Metro Manila. Likewise, the country's stable and improved economic performance continue to contribute significantly to property demand. These factors augur well for TVRI, which is planning to develop its property portfolio.

The natural resources sector, unfortunately, has been adversely hit by the general downtrend in the prices of petroleum (OV), nickel and copper (AT) and gold (UPM).

Nevertheless, the Company remains optimistic that commodity prices will recover and rebound in 2019 and generate attractive returns soon.

The infrastructure sector is in its growth stage as the infrastructure needs of the country far exceed the available supply of funds for various projects. Private sector financing, such as that provided by the Company, will continue to supplement, if not totally supplant, Government funding for infrastructure projects.

The natural resources, infrastructure and property development industries are not confined within any specific geographic area. So far, the Company and its subsidiaries have participated in projects undertaken or to be undertaken in Metro Manila, Luzon, Visayas and Mindanao.

The Company generally participates in natural resources, infrastructure and property development projects as a pure equity holder without involving itself directly in the operations of the venture beyond the level of the board of directors or operating committees.

The Company invests only in projects that yield or would yield a return on investment consistent with the economic thresholds set by the Company which are, in turn, based on accepted investment grade standards set by the international business community.

(vi) Sources and availability of raw materials – BAC's main source of aggregates is in Mariveles, Bataan.

TVRI's business of property development does not require any raw material.

(vii) Major customers - The Company and TVRI are not dependent on any major customer. The Company's revenues and income are dependent on the financial performance of its investee companies, while BAC sells its aggregates products to any buyer meeting its prices. TVRI has not commenced any property development yet pending completion of all necessary permits.

(viii) Related party transactions – See Note 23 of the Company's 2019 Audited Financial Statements.

(ix) Patents, etc. – NONE

(x) Government approvals - Not applicable.

(xi) Effect of Government regulations - Existing government regulations do not adversely affect the business of the Company. Probable government regulation, if economically restrictive, may adversely affect the business of the Company and its subsidiary.

(xii) Research and development activities - The Company did not undertake any research and development activities and did not incur any expenses for such activities during the last three (3) years.

In the ordinary course of business, the projects in which the Company is, or becomes, involved in may incur expenses in commissioning feasibility and/or other similar studies. In cases where a separate entity specific to the project is formed, these expenses form part of project development costs of that entity and are, in turn, carried as part of project investment by the Company. In cases where no separate entity is formed or the proposed project is shelved for various reasons, such expenses are charged as ordinary operating expenses of the Company.

(xiii) Costs and effects of compliance with environmental laws – Compliance with environmental laws have not, and are not anticipated to, adversely affect the businesses and financial conditions of the Company. Costs of compliance with environmental laws are either charged as ordinary operating expenses or credited as part of project investment by the Company and its subsidiary. The Company did not incur any expenses for such activities during the last three (3) years.

VMC maintains an account with Land Bank of the Philippines for its Mine Rehabilitation Fund (MRF) pursuant to the requirements of the Philippine Mining Act of 1995. The MRF shall be used for the physical and social rehabilitation of areas and communities affected by mining activities and for research in the social, technical and preventive aspects of rehabilitation.

(xiv) Employees - As of 31 December 2019, the Company has thirteen (13) full-time employees (including officers). TVRI has not engaged any employee yet.

**(B) Additional Requirements as to Certain Issues or Issuers**

(i) Debt Issues – Not applicable.

(ii) Investment Company Securities – Not applicable.

(iii) Mining and Oil Companies – The Company, in line with its previous primary business purpose now retained as one of its secondary purposes, and VMC are participants in certain petroleum and/or mineral exploration and development ventures. These concession areas are provided in Item 1(a)1 above.

## ITEM 2. PROPERTIES

Properties of the Company consist of condominium units and improvements and office equipment located at the principal office of the Company. Properties of subsidiary, TVRI, consist of office equipment located in its principal office Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City and approximately 300 hectares of land located at Bgys. Mabiga and Sacrifice Valley, Hermosa, Bataan. These properties are carried at cost less accumulated depreciation.

The Company does not own any plant, mine or other property. Subsidiary VMC owns exploration and development rights in certain mineral exploration areas covered by Mineral Production Sharing Agreements (MPSA), Applications for Production Sharing Agreements (APSA), exploration permits and industrial sand and gravel (ISAG) permit applications, while TVRI owns about 300 hectares of land located at Bgys. Mabiga and Sacrifice Valley, Hermosa, Bataan.

As discussed under the heading "Other Investments" above, the Company maintains participating interests in certain petroleum and mineral concession areas. To the extent of its Participating Interests in the petroleum and mineral exploration areas, the Company shares co-ownership rights with the other concessionaires over the respective Joint Accounts and Joint Properties pertaining to each concession area which are generally expressed in monetary terms as "Deferred Exploration Costs" in the Company's books of accounts.

Similarly, subsidiary VMC maintains interests in certain mineral concession areas. To the extent of its participating interests in the mineral concession areas, VMC shares co-ownership rights with the other concessionaires over the respective Joint Accounts and Joint Properties pertaining to each concession area which are generally expressed in monetary terms as "Deferred Exploration Costs" in VMC's books of accounts which are, in turn, consolidated into the Company's books of accounts.

Owing to the intermittent nature of petroleum exploration, no permanent physical property, plant or equipment are situated or being maintained in the concession areas as they are brought in only, under lease or charter, whenever there is any exploration activity to be undertaken in the areas.

VMC sold its permanent physical property, plant and equipment, rights to explore, develop, operate and utilize, the Montalban Aggregates Project Area to Big Rock Aggregates Corporation through a Deed of Assignment dated December 19, 2017.

## ITEM 3. LEGAL PROCEEDINGS

There is no material pending legal proceeding to which the Company or its subsidiary or affiliate is a party, or which any of their property is the subject, except the following:

In 2013, VMC filed a criminal case for qualified theft against Benjamin Villacarta, a former Assistant Manager of Finance and Accounting Department of VMC who converted several checks intended for tax payments into cash for personal gain. The case is currently archived after a hold-departure order was issued by court against Villacarta.

In July 2015, VMC filed a complaint affidavit with the prosecutor's office for qualified theft against Raizel Ann Fortin, a former general accountant of VMC who took for personal gain certain monies intended as payments for various materials sold by VMC to clients. An Information was subsequently filed against her before the Regional Trial Court of San Mateo, which issued a warrant for her arrest. Unfortunately, the warrant went unserved and no return has been submitted by the local police in charge of service thereof.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NO matter was submitted to a vote of security holders during the fourth quarter of the fiscal year 2019.

# PART II –OPERATIONAL AND FINANCIAL INFORMATION

## ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

## (a) Market Price of and Dividends on Common Equity and Related Stockholder Matters

## (1) Market Information

2019 and 2018 and the first quarter of the current fiscal year 2020, expressed in Philippine Pesos, are as follows:

| | Stock Prices (Php) | |
|---|---|---|
| | **High** | **Low** |
| **2020**- 1st quarter | 0.54 | 0.50 |
| **2019**– 1st quarter | 1.37 | 0.73 |
| 2nd quarter | 0.93 | 0.72 |
| 3rd quarter | 1.27 | 0.64 |
| 4th quarter | 0.77 | 0.65 |
| **2018**– 1st quarter | 1.18 | 0.88 |
| 2nd quarter | 1.04 | 0.88 |
| 3rd quarter | 1.00 | 0.89 |
| 4th quarter | 0.97 | 0.73 |

## (2) Holders

As of 31 December 2019, total number of shareholders of record is 3,083 while common shares outstanding were 3,003,302,538 shares. The Company's top 20 Stockholders as of 31 December 2019 are as follows:

| Rank | Stockholders | Total Shares | Percentage |
|---|---|---|---|
| 1 | ALAKOR CORPORATION | 1,524,661,961 | 50.7662% |
| 2 | PCD NOMINEE CORPORATION CORPORATION | 1,126,989,776 | 37.5250% |
| 3 | NATIONAL BOOK STORE INC. | 313,640,759 | 10.4432% |
| 4 | SAN JOSE OIL COMPANY | 4,693,332 | 0.1563% |
| 5 | ALYROM PROPERTY HOLDINGS, INC. | 2,924,900 | 0.0974% |
| 6 | SANTIAGO TANCHAN III | 972,398 | 0.0324% |
| 7 | JALANDONI, JAYME, ADAMS & Co., INC. | 964,700 | 0.0321% |
| 8 | CONSTANTINE TANCHAN | 881,466 | 0.0293% |
| 9 | MARIANO GO BIAO | 850,000 | 0.0283% |
| | S.J. ROXAS & CO., INC. A/C # 2.19.038 | 850,000 | 0.0283% |
| 10 | JACK F. CONLEY | 825,000 | 0.0275% |
| 11 | ANSALDO, GODINEZ & CO, INC. | 753,835 | 0.0251% |
| 12 | ANTONIO M. HENARES | 660,000 | 0.0220% |

| | | | |
|---|---|---|---|
| 13 | TBG MBTC FAO CARLOS EJERCITO | 500,000 | 0.0166% |
| 14 | JESUS GARCIA | 440,000 | 0.0147% |
| | ANTONIO HENARES &/OR CARMEN HENARES | 440,000 | 0.0147% |
| 15 | ALAKOR SECURITIES CORPORATION | 400,000 | 0.0133% |
| | FRANCISCO A. NAVARRO | 400,000 | 0.0133% |
| 16 | SAN JOSE, ROBERTO V. | 373,866 | 0.0124% |
| 17 | PANLILIO, JOSE MA. | 330,000 | 0.0110% |
| 18 | C.A. PILE AS NOMINEE FOR HSBC MANILA ACC, MANUFACTURERS HANOVR | 319,000 | 0.0106% |
| 19 | TANCHAN, JENNIFER | 293,332 | 0.0098% |
| 20 | COO, BETTY U. | 273,680 | 0.0091% |

**Of the total* 1,126,989,776 shares *under the name of PCD Nominee Corp.,466,156,757 shares (15.52%) are under the name of BDO Securities Corp. (BDOSC), and 240,135,900 shares (7.9957%) are under the name of Alakor Securities Corporation (ASC).*

**Of the 466,,156,757 shares under the name of BDOSC, National Book Store Inc.(NBSI) owns 464,143,757 shares (15.45%) and of the 240,135,900 shares under the name of ASC, Alakor Corporation (AC) owns 105,375,525 shares (3.51%), while NBSI owns 115,949 shares (0.003%).*

## (3) Dividends

| Cash Dividend | Amount | Declaration Date | Record Date | Payment Date |
|---|---|---|---|---|
| 2016 –CD 14 | P0.015/share | November 3, 2016 | November 18, 2016 | December 15, 2016 |
| 2015 –CD 13 | P0.02/share | June 01, 2015 | June 16, 2015 | July 10, 2015 |
| 2014 –CD 12 | P0.015/share | October 29, 2014 | November 12, 2014 | December 8, 2014 |
| 2013 –CD 11 | P0.03/share | October 22, 2013 | November 8, 2013 | December 4, 2013 |
| 2013 –CD 10 | P0.03/share | March 19, 2013 | April 05, 2013 | May3, 2013 |
| 2012 –CD 9 | P0.02/share | October 19, 2012 | Nov. 07, 2012 | November 23, 2012 |
| 2012 –CD 8 | P0.04/share | March 28, 2012 | April 16, 2012 | May 4, 2012 |
| 2011 –CD 7 | P0.03/share | September 28, 2011 | October 12, 2011 | November 08, 2011 |
| | | | | |
| 2011 –CD 6 | P0.05/share | March 25, 2011 | April 08, 2011 | April 29, 2011 |
| 2010 –CD 5 | P0.03/share | April 12, 2010 | April 30, 2010 | May 24, 2010 |
| 2009 –CD 4 | P0.15/share | April 22, 2009 | May 08, 2009 | May 29, 2009 |
| 2008 - CD 3 | P0.05/share | April 25, 2008 | May 30, 2008 | June 25, 2008 |

| | | | | |
|---|---|---|---|---|
| 2007 -CD 2 | P0.05/share | July 27, 2007 | October 15, 2007 | November 8, 2007 |
| 2007 - CD 1 | P0.10/share | April 30, 2007 | May 17, 2007 | June 8, 2007 |
| | | | | |
| **Stock Dividend** | **Rate** | **Declaration Date** | **Record Date** | **Payment Date** |
| 2008 - SD 1 | 10% | Sept. 19, 2008 | October 31,2008 | Nov. 26, 2008 |

The Company's ability to declare and pay dividends on common equity is restricted by the availability of retained earnings and cash.

**(4) Recent Sales of Unregistered Securities**

**NO** unregistered securities were sold during the past 3 years. All of the Company's issued and outstanding shares of stock are duly registered in accordance with the provisions of the Securties Regulation Code (SRC).

(a)Securities Sold – Not Applicable; NO securities were sold
(b)Underwriters and Other Purchases – Not Applicable; NO securities were sold
(c)Consideration – Not Applicable; NO securities were sold
(d)Exemption from Registration Claimed – Not Applicable; NO securities were sold.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

**(A) Management's Discussion and Analysis or Plan of Operation**

**(1) Plan of Operation**

To sustain business growth, the Company plans to focus and build on its core investments in natural resources (through investments in OV, UPM, AT and APPC), property development (through investment in TVRI and MRTDC), and infrastructure (through investment in MRTC). In addition, the Company will continue to take advantage of new business opportunities that may emerge in other investment areas which provide synergies with the Company's investment portfolio.

On the other hand, APPC's subsidiary, BAC, is preparing for full operations in its aggregates area.

**(B)** Owing to the nature of the business of the Company (investment holding), VMC (mineral and aggregates exploration and development), and TVRI (property development), and APPC (power generation) and aggregates through BAC), no product research and development is expected to be undertaken in the next twelve (12) months.

**(C)** The Company does not expect to make any purchase or sale of any plant and/or significant equipment within the next twelve (12) months.

On the other hand, any plant and/or equipment that may be purchased or otherwise acquired by BAC in the next twelve (12) months are charged as ordinary expenses and will be subsequently consolidated into APPC's financial statements.

**(D)** The Company and its subsidiaries, VMC, APPC and TVRI do not expect any significant change in the number of its employees in the next twelve (12) months.

The Company and its subsidiaries, VMC, APPC and TVRI, will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises.

The Company's financial statements for the year ended 31 December 2019 reflect foreign exchange gain/losses on the Company's deposits.

## 2) Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial highlights for the years 2019, 2018 and 20167are presented below:

| | 2019 (Consolidated) | 2018 (Consolidated) | 2017 (Consolidated) |
|---|---|---|---|
| Revenues | 191,914,262 | 106,621,638 | 43,779,066 |
| Net income/(loss) | (142,313,928) | (645,859,629) | (234,266,384) |
| Total assets | 9,474,672,463 | 9,949,443,708 | 10,287,595,103 |
| Total Liabilities | 3,810,171,333 | 3,943,921,506 | 3,901,829,486 |
| Net worth | 5,664,501,130 | 6,005,522,202 | 6,385,765,617 |
| Issued & subscribed capital | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |

The top key performance indicators of the Company and its majority-owned subsidiary are as follows:

| | December 31, 2019 (Consolidated) | December 31, 2018 (Consolidated) | December 31, 2017 (Consolidated) |
|---|---|---|---|
| **Current Ratio** | **1.07:1** | **0.09:1** | **0.06:1** |
| Current Assets | 320,135,833 | 334,254,994 | 228,460,472 |
| Current Liabilities | 298,652,324 | 3,909,815,732 | 3,896,396,570 |
| | | | |
| **Assets to Equity Ratio** | **1.67 : 1** | **1.66 : 1** | **1.61 : 1** |
| Total Assets | 9,474,672,463 | 9,949,443,708 | 10,287,518,908 |
| Stockholders Equity | 5,664,501,130 | 6,005,522,202 | 6,385,689,422 |
| | | | |
| **Debt to Equity Ratio** | **0.68: 1** | **0.66 : 1** | **0.61 : 1** |
| Total Liabilities | 3,810,171,333 | 3,943,921,506 | 3,901,829,486 |
| Stockholders Equity | 5,664,501,130 | 6,005,522,202 | 6,385,689,422 |

| | | | |
|---|---|---|---|
| | | | |
| **Equity to Debt Ratio** | **1.49: 1** | **1.52: 1** | **1.64 : 1** |
| Stockholders Equity | 5,664,501,130 | 6,005,522,202 | 6,385,689,422 |
| Total Liabilities | 3,810,171,333 | 3,943,921,506 | 3,901,829,486 |
| | | | |
| **Book Value per share** | **1.89** | **2.00** | **2.13** |
| Stockholders Equity | 5,664,501,130 | 6,005,522,202 | 6,385,689,422 |
| Shares Outstanding | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |
| | | | |
| **(Loss) per share** | **(0.05)** | **(0.22)** | **(0.08)** |
| Net Income/(Loss) | (142,313,928) | (645,859,629 | (234,266,384) |
| Average Number of shares outstanding | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |

Current Ratio continue to increased from 2017 to 2018 due to i) due to reclassification of its notes receivable from affiliates which is due within the period of one year. From 2018 to 2019 increase in Current Ratio was due to reclassification of its payable to related party that is due within the period of more than a year.

Assets to Equity Ratio slightly increased from 2017 to 2018 due to decreased Stockholders Equity. In 2019, Asset to Equity Ratio is at 1:67:1

Debt-to-Equity Ratio continued to increase from 2017 to 2019 due to the decrease in Stockholders Equity due to net loss incurred by the Company in 2017 to 2019. Likewise, Equity-to-Debt Ratio decreased from 2017 to 2019.

Book Value per Share (BVPS) continue to decreased in 2017 to 2019 due to the decrease in Stockholders Equity resulting from the net loss incurred by the Company during the same period.

The Company incurred Loss Per Share (LPS) from 2017 to 2019 due net losses incurred by the Company in during the same period.

(i) There are **NO** known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity.

(ii) The Company's internal source of liquidity comes, primarily, from revenues generated from operations. The Company's external source of liquidity comes, primarily, from loans/financing obtained from financial institutions and, alternatively, may also come from the collection of its accounts receivables.

(iii) The Company has **NO** material commitments for capital expenditures but is expected to contribute its equity share in the capital expenditures of its investee companies.

However, the bulk of the funding for such expenditures will be sourced from project financing.

(iv) There are **NO** known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income from continuing operations.

(v) There are **NO** significant elements of income or loss that did not arise from the Company's operations.

(vi) There have been **NO** material changes from 2017-2019 in one or more line items of the Company's financial statements, EXCEPT as disclosed below:

a. Net Revenues increased from 2017 to 2018 due to i) increase in foreign exchange gain and ii) increase in sale of aggregates. In 2019, Net Revenue is increased in 2019 due present value calculation.

b. Total sales of aggregates are higher in 2018 as compared to 2019, as a result of sale of BAC quarry equipment in October 2019. Thereby, the BAC was not able to operate in full term during the year 2019.

c. Costs and Expenses is higher in 2018 as compared to 2017 and 2019 because the Company recorded a P738.7 million cost and expenses 2018 mainly due to the Company's share in net losses of its associates.

d. Likewise, Loss Before Income Tax is also higher in 2018 compared to 2017 and 2019 because of the higher cost and expenses incurred by the Company in 2018.

e. Basic and Diluted Loss Per Share is (P0.05), (P0.22) and (P0.08) for the year 2017, 2018, and 2019, respectively.

f. Retained Earnings continue to decrease in 2017 to 2019 due to net loss incurred by the Company during for the same period.

g. Current Assets increased in 2017 to 2018 due to: i) due to the reclassification of its receivable from affiliates/subsidiaries which is due within the period of one year. However, in 2019, Current Assets decreased since the receivable was extended up to December 2021 and was reclassified as long term receivable.

h. Non-Current Assets decreased from 2017 to 2019 due to the decrease in Investment in associates brought about by the net losses incurred by its investee Company.

i. Current Liabilities increased from 2017 to 2018 due the loan availment of its subsidiary. In 2019, Current Liabilities decreased due the reclassification the Company's subscription payable and payables to related party to Non-current liabilities.

j. Stockholders' Equity continue to decreased from 2017 to 2019 due to net loss incurred by the Company during the same period.

(vii) There have been NO seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) There are **NO** events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(ix) There are **NO** 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.

**(2) Interim Periods**

No interim financial statements are included in this report.

## ITEM 7. FINANCIAL STATEMENTS

Refer to the Audited Financial Statements as of December 31, 2019, 2018, and 2017.

## ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been **NO** changes in, nor disagreements with, accountants on accounting and financial disclosure for fiscal years 2019, 2018 and 2017.

# PART III - CONTROL AND COMPENSATION INFORMATION

## ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS

**(a) Directors, Executive Officers, Promoters and Control Persons**

**(1) Directors and Executive Officers**

**(A) Names and Ages of Directors and Executive Officers**

| Name | Age | Citizenship | Position | Period of Service |
|---|---|---|---|---|
| Alfredo C. Ramos | 76 | Filipino | Chairman of the Board | 1989 to present |
| Adrian Paulino S. Ramos | 41 | Filipino | Director<br><br>EVP/Treasurer<br>President/COO | 2006 to present<br><br>July 2014 to 2016<br>Jan 2017 to present |
| Gerard Anton S. Ramos | 45 | Filipino | Director<br><br>EVP-Investments | 2011 to present<br><br>July 2014 to present |
| Adrian S. Arias | 57 | Filipino | EVP | 2005 to June 2014 |

| | | | | |
|---|---|---|---|---|
| | | | Asst. Corporate Secretary<br>Corporate Secretary<br>EVP-Legal and Admin.<br>Director | 1998 to 2016<br>2016 to June 2017<br>July 2014 to present<br>November 2014 to present |
| Christopher M. Gotanco | 70 | Filipino | Director<br>President | 1987 to present<br>1988 to 2016 |
| Roberto V. San Jose | 78 | Filipino | Director<br>Corporate Secretary | 1998 to present<br>1979 to 2016 |
| Reynaldo E. Nazarea | 68 | Filipino | Director | June 2017 to present |
| Presentacion S. Ramos | 78 | Filipino | Director | 1984 to present |
| Maureen Alexandra S. Ramos-Padilla | 47 | Filipino | Director | 2011 to present |
| Renato C. Valencia | 78 | Filipino | Independent Director | 2006 to present |
| Honorio A. Poblador | | Filipino | Independent Director | 2019 to present |
| Iris Marie U. Carpio-Duque | 41 | Filipino | Asst. Corporate Secretary<br>Corporate Secretary | July 2014 to May 2017<br>June 2017 to present |
| Deborah S. Acosta-Cajustin | 40 | Filipino | Asst. Corporate Secretary | July 2014 to present |
| Gilbert V. Rabago | 43 | Filipino | Manager, Finance and Accounting<br>Treasurer | July 2014 to present<br>Jan 2017 to present |

**(B) Positions and offices that each person named above held with the Company**

Mr. Alfredo C. Ramos has been a Director since 1975 and the Chairman of the Board since 1989.

Mr. Adrian Paulino S. Ramos has been a Director since 2006 and became Executive Vice President and Treasurer in July 2014. He became the President in January 2017.

Mr. Gerard Anton S. Ramos has been a Director since 2011 and became the Executive Vice President for Investments in July 2014.

Mr. Christopher M. Gotanco has been a Director since 1987 and the President since 1988 up to 2016. He was previously the VP-Finance and Administration.

Atty. Roberto V. San Jose has been the Corporate Secretary from 1979 up to July 2016 and a Director since 1998.

Ms. Presentacion S. Ramos and Ms. Maureen Alexandra S. Ramos-Padilla have been Directors since 1984 and 2013, respectively.

Atty. Adrian S. Arias was elected Director on November 2015. He was appointed EVP-Legal and Administration in July 2014 and Corporate Secretary from July 2016-June 2017.

**(C) Term of Office as Director and Period of Service**

The Directors of the Company are elected at the Company's annual stockholders' meeting to hold office until the next succeeding annual meeting and until the successors shall have been elected and qualified. Officers are appointed annually by the Board of Directors at the organizational meeting following the annual stockholders' meeting, to hold office until the next organizational meeting of the Board of Directors in the following year or until a successor shall have been appointed and qualified, in accordance with Company By-Laws.

**(D) Business experience of directors/officers during the past five (5) years**

***Mr. Alfredo C. Ramos*** is the Chairman of the Board and Chief Executive Officer of the Company. He serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1962-present), mining (1988-present), oil and gas exploration (1989-present), property development (1991-present), shopping center (1992-present), department store (1993-present), transportation (1996-present) and retail (1999-present), among others.

***Mr. Adrian Paulino S. Ramos*** is a Director and President and COO of the Company. He is the former EVP and Treasurer of the Company. He serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), investment holdings (2005-present), securities (2005-present), property development and infrastructure (2006-present), mining (2006-present) and bulk water supply (2006-present), among others.

***Mr. Gerard Anton S. Ramos*** is a Director and the Executive Vice President for Investments of the Company. He serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), securities (1996-present), property development and infrastructure (1996-present), investment holdings (2000-present) and mining (2008-present), among others

***Mr. Christopher M. Gotanco*** is a Director and former President and COO of the Company. He serves as a director and/or executive officer in companies engaged in oil and gas exploration (1982-present), mining (1993-present), investment holdings (1995-present), transportation (1996-present), property development (1996-present), investment house and financial services (2007-present), among others.

***Atty. Adrian S. Arias*** is a Director of the Company. He is also the Company's Executive Vice President for Legal and Administration. He has been in active corporate law practice for more than twenty (20) years and serves as a director and/or officer of an investment house (2006-present), financial services (2006-present), logistics company (2004-present), services (2006-present), merchandising (2009-present), shared support services (2011-present), and mining (2012-present).

***Atty. Roberto V. San Jose*** is a Director of the Company. He has been in the active practice of law for more than forty five (45) years. For the past five (5) years, he has served as director and/or corporate secretary of various client corporations involved in transportation, financial services, infrastructure, mining, property development, holdings, communication, entertainment, and foundation, among others.

***Ms. Presentacion S. Ramos*** is a Director of the Company. She serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1975-present), oil and gas exploration (1984-present), department store (1993-present), mining (1993-present) and stock brokerage (1996-present), among others.

***Mr. Renato C. Valencia*** was elected independent director of the Company in December 2006. He serves as director and/or executive officer in companies engaged in banking (1998-present), investment holdings (1998 to present) and education and technology (2003 to present).

***Mr. Honorio A. Poblador*** was elected independent director of the Company in July 26, 2019. He holds a Bachelor of Arts degree from the Ateneo de Manila. He is a businessperson who has been at the head of nine different companies and presently is Chairman for Aviatica Travel & Management Corp., Chairman of Megalex, Inc., Chairman & President for Asmaco, Inc., Chairman at Asuncion Realty Corp., President of Asian Aesthetic Excellence, Inc., President for Mayriad Human Resources & Services, Inc., President of Eastern Manufacturing Corp. (Philippines), President at Worldwide Paper Mills, Inc. and President for Montemar Resort & Development Corp., among others.

***Ms. Maureen Alexandra S. Ramos-Padilla*** is a Director of the Company. She serves as a director and/or executive officer, and maintains business interests in companies engaged in department store, media and music distribution, securities brokerage property development, oil and gas exploration and development (2013-present), among others.

***Atty. Iris Marie U. Carpio-Duque*** is the Corporate Secretary of the Company. For the past five years, she has served as officer and/or corporate secretary or assistant corporate secretary of various companies involved in mining, investment holding, securities brokering and real estate.

***Atty. Deborah S. Acosta-Cajustin*** is the Assistant Corporate Secretary of the Company. She has been in active corporate and taxation law practice for more than five (5) years and serves as an officer of companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media, investment holding, and securities brokering (2013-present).

## (E) Directors with directorship(s) held in reporting companies

The following are the directorships held by the directors of the Company in other reporting companies in the past five (5 ) years:

| | | |
|---|---|---|
| *Alfredo C. Ramos* | *Anglo Philippine Holdings Corporation* | *Vulcan Industrial & Mining Corp.* |
| | *Atlas Consolidated Mining &Dev't. Corp* | *Shang Properties, Inc.* |
| | *MRT Holdings, Inc.* | *The Philodrill Corporation* |
| | *MRT Dev't Corp.* | *United Paragon Mining Corp.* |
| | *National Book Store, Inc.* | |
| *Christopher M. Gotanco* | *Anglo Philippine Holdings Corporation* | *Penta Capital Investment Corp.* |
| | *Boulevard Holdings, Inc.* | *The Philodrill Corporation* |
| | *MRT Holdings, Inc.* | *United Paragon Mining Corp.* |
| | *MRT Dev't Corp.* | *Vulcan Industrial & Mining Corp.* |
| | *Penta Capital Finance Corp.* | |
| *Presentacion S. Ramos* | *Alakor Securities Corporation* | *The Philodrill Corporation* |
| | *Anglo Philippine Holdings Corporation* | *Vulcan Industrial & Mining Corp.* |
| | *National Book Store Inc.* | |
| *Roberto V. San Jose* | *Anglo Philippine Holdings Corporation* | *CP Equities Corporation* |
| | *Atlas Resources Management Group* | *Mabuhay Holdings Corporation* |
| | *CP Group of Companies* | |
| *Reynaldo E. Nazarea* | *Anglo Philippine Holdings Corporation* | *The Philodrill Corporation* |
| | *Penta Capital Finance Corp.* | *Penta Capital Holdings, Inc.* |
| | *Penta Capital Investment Corp* | |
| *Adrian Paulino S. Ramos* | *Alakor Securities Corporation* | *The Philodrill Corporation.* |
| | *Anglo Philippine Holdings Corporation* | *United Paragon Mining Corp.* |
| | *Aquatlas Inc.* | *Vulcan Industrial & Mining Corp.* |
| | *Atlas Consolidated Mining &Dev't. Corp* | *Zenith Holdings Corp.* |
| | *Carmen Copper Corporation* | |
| *Maureen Alexandra S. Ramos-Padilla* | *Anglo Philippine Holdings Corporation* | *The Philodrill Corporation* |
| *Gerard Anton S. Ramos* | *Anglo Philippine Holdings Corporation* | *National Bookstore Inc.* |
| | *Atlas Consolidated Mining &Dev't. Corp* | *United Paragon Mining Corp.* |
| | *Carmen Copper Corporation* | *The Philodrill Corporation* |

| | | |
|---|---|---|
| *Renato C. Valencia* | *Anglo Philippine Holdings Corporation (ID)* | *Metropolitan Bank & Trust Company (ID)* |
| | *House of Investments (ID)* | *Roxas & Company Inc.(RD)* |
| | *i- People, Inc. (ID)* | *Roxas Holdings Inc. (RD, President & CEO)* |
| | *Malayan Insurance Co. (RD)* | *Vulcan Industrial & Mining Corp.(ID)* |
| *Honorio A. Poblador* | *Anglo Philippine Holdings Corporation (ID)*<br>*The Philodrill Corporation (ID)* | |
| *Adrian S. Arias* | *Anglo Philippine Holdings Corporation* | *Vulcan Industrial & Mining Corp.* |
| | *Penta Capital Finance Corp.* | *Penta Capital Investment Corp.* |

**RD – Regular Director* *ID – Independent Director*

## (2) Significant Employees

Other than the current officers and employees, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company.

## (3) Family Relationships

Mr. Alfredo C. Ramos (Chairman of the Board) is the husband of Ms. Presentacion S. Ramos (Director). Ms. Maureen Alexandra Ramos-Padilla (Director), Mr. Adrian Paulino S. Ramos (President/COO/Director) and Mr. Gerard Anton S. Ramos (Director/EVP-Investments) are the children of Mr. Alfredo C. Ramos and Ms. Presentacion S. Ramos.

There are no other family relationships known to the registrant other than the ones disclosed herein.

## (4) Involvement in Certain Legal Proceedings

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, promoter, or control person of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any director, person nominated to become a director, executive officer, promoter, or control person, EXCEPT That (a) Mr. Alfredo C. Ramos, Ms. Presentacion S. Ramos, Ms. Maureen Alexandra S. Ramos-Padilla, Mr. Gerard Anton S. Ramos, Mr. Christopher M. Gotanco, and Mr. Reynaldo E. Nazarea, as directors, and Atty. Adrian S. Arias, as Corporate Secretary, all of Philodrill have been sued for alleged violation of Secs. 28 and 144 of the Corporation Code (Illegal removal of director), and (b) Mr. Reynaldo E. Nazarea and Atty. Adrian S. Arias have been sued for alleged violation of Art. 172 of the Revised Penal Code (Falsification of a Public Document). The Office of the City Prosecutor of Mandaluyong has dismissed these cases for lack of merit in separate resolutions and are now the subject of a Petition for Review filed by complainant Francisco Navarro with the Department of Justice; (c) Mr. Reynaldo E. Nazarea has filed separate cases of perjury and attempted estafa against Mr. Francisco Navarro, which are similarly the subject of a Petition for Review with the Department of Justice; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities of a director, person nominated to become a director, executive officer, promoter, or control person of the Company; and, (4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

## ITEM 10. EXECUTIVE COMPENSATION

### (1) Summary Compensation Table

The aggregate compensation paid to the Company's Chief Executive Officer and other four (4) most highly compensated executive and non-executive officers named below as a group for the two most recently completed fiscal years (2017 and 2018) and estimated to be paid for the ensuing fiscal year (2019) are:

| Name | Position | Year | Salary | Bonus | Other Annual Compensation |
|---|---|---|---|---|---|
| Alfredo C. Ramos | Chairman/CEO | | | | |
| Adrian Paulino S. Ramos | President | | | | |
| Gerard Anton S. Ramos | EVP-Investments | | | | |
| Adrian S. Arias | EVP-Legal and Administration | | | | |
| Gilbert V. Rabago | Treasurer | | | | |
| | | 2018 | 10,633,100 | 1,526,800 | |
| | | 2019 | 11,309,557 | 1,954,800 | |
| | | 2020 (est) | 12,440,512 | 2,150,280 | |
| All officers and directors as a group unnamed | | 2018 | 11,348,100 | 1526,800 | |
| | | 2019 | 11,764,557 | 1,954,800 | |
| | | 2020 (est) | 12,941,012 | 2,150,280 | |

### (2) Compensation of Directors

## (A) Standard Arrangement

For the most recently completed fiscal year, directors received and will receive a per diem of P5,000.00 per month to defray their expenses in attending board meetings.

## (B) Other Arrangements

There are no other arrangements for compensation of directors during the last fiscal year and for the ensuing fiscal year.

## (3) Employment Contracts and Termination of Employment and Change-in-Control

(A) The Company maintains standard employment contracts with its executive officers which provide for compensation and benefits, including entitlement to health benefits, representation expenses and company car plan.

(B) Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive more than P2,500,000.00 as a result of their resignation or any other termination of employment, or from a change in control of the Company, or a change in the executive officers' responsibilities following a change in control of the Company.

The Company maintains a retirement plan pursuant to which an eligible employee will receive one month's pay for every year of service for the first 10 years and two month's pay for every year of service beyond the first 10 years. Based on this policy, the retirement pay of some officers of the Company may exceed P2,500,000.00.

(C) There are no warrants or options outstanding in favor of directors and officers of the Company.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## (1) Security Ownership of Certain Record and Beneficial Owners

As of 31 December 2019, the Company is not aware of anyone who beneficially owns more than 5% of its outstanding stock, except as set forth below:

| Title of Class | Name and address of record owner and relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of shares held | Percentage Ownership |
|---|---|---|---|---|---|
| Common | Alakor Corporation<br>9th Floor Quad Alpha Centrum<br>125 Pioneer St. Mandaluyong City<br>**Stockholder** | Alakor Corporation<br><br>(Direct Ownership) | Filipino | 1,524,661,961 | 50.77% |

| | | | | | |
|---|---|---|---|---|---|
| Common | BDO Securities Corporation<br>27 Tower 1 Exchange Plaza<br>Ayala Ave ., Makati City<br>**Stockholder** | National Book Store Inc.<br><br>Client<br>(see Note B) | Filipino | 466,156,757** | 15.52% |
| Common | PCD Nominee Corporation<br>Makati Stock Exchange Bldg.<br>6767 Ayala Avenue, Makati City<br>**Stockholder** | PCD Participants<br><br>(see note A) | Filipino/Non Filipino | 420,697,119* | 13.27% |
| Common | National Book Store Inc.<br>4th Floor Quad Alpha Centrum<br>125 Pioneer St. Mandaluyong City<br>**Stockholder** | National Book Store Inc.<br><br>(Direct Ownership) | Filipino | 313,640,759 | 10.44% |
| Common | Alakor Securities Corporation<br>9th Floor, Quad Alpha Centrum<br>125 Pioneer St., Mandaluyong City<br>**Stockholder** | Alakor Corporation<br><br>Client<br>(see Note B) | Filipino | 105,375,525** | 3.51% |

**Of the total* 1,126,989,776 shares *under the name of PCD Nominee Corp.,466,156,757 shares (15.52%) are under the name of BDO Securities Corp. (BDOSC), and 240,135,900 shares (7.99%) are under the name of Alakor Securities Corporation (ASC).*

**Of the 466,,156,757 shares under the name of BDOSC, National Book Store Inc.(NBSI) owns 464,143,757 shares (15.45%) and of the 240,135,900 shares under the name of ASC, Alakor Corporation (AC) owns 105,375,525 shares (3.51%), while NBSI owns 115,949 shares (0.003%).*

*__Note A__: The shares registered under the name of PCD Nominee Corporation (PCD) are beneficially owned by its participants. Based on PCD's books, there are 124 beneficial owners of the Company's voting stock of which BDOSC and ASC are the record owner of more than 5% of the Company's voting securities*

*__Note B:__ Among the clients of BDOSC and ASC, NBSI and AC are the beneficial owners of more than 5% of the Company's voting securities.*

*__Note C.__ As a matter of practice, PCD itself does not vote the number of shares registered in its name; instead, PCD issues a general proxy constituting and appointing each of its participants as PCD's proxy to vote for the number of shares owned by such participant in PCD's books as of Record Date.*

## (2) Security Ownership of Management

As of 31 December 2019, the Company's directors and officers own the following number of shares registered in their respective names:

| Title of Class | Name of beneficial owner | Amount and nature of Beneficial ownership | | Citizenship | Percent Of Class |
|---|---|---|---|---|---|
| | | Direct | Indirect | | |
| Common | Alfredo C. Ramos (D/CEO/N) | 11,000 | 50,909,872 | Filipino | 1.65% |
| Common | Christopher M. Gotanco (D/O/N) | 110 | 17,830,540 | Filipino | 0.59% |
| Common | Adrian Paulino S. Ramos (D/N) | 18,000 | 32,999 | Filipino | <0.01% |
| Common | Gerard Anton S. Ramos (D/N) | 1,000 | 0 | Filipino | <0.01% |
| Common | Adrian S. Arias (O) | 1,000 | 19,000 | Filipino | 0.00% |

| | | | | | |
|---|---|---|---|---|---|
| Common | Roberto V. San Jose (D/O/N) | 373,866 | 59,386 | Filipino | 0.01% |
| Common | Reynaldo E. Nazarea (D/N) | 10,000 | 10,000 | Filipino | 0.01% |
| Common | Presentacion S. Ramos (D/N) | 55,000 | 27,481,665 | Filipino | 0.92% |
| Common | Renato C. Valencia (ID/N) | 1,100 | 0 | Filipino | <0.01% |
| Common | Honorio A. Poblador (ID/N) | - | 1 | Filipino | <0.01% |
| Common | Maureen Alexandra S. Ramos-Padilla (D/N) | 22,000 | 873,066 | Filipino | 0.03% |

There are no additional shares of the Company which the above listed directors and officers have the right to acquire beneficial ownership of from options, warrants, conversion privileges, or similar obligations.

### (3) Voting Trust Holders of 5% or More

To the extent known to the Company, there is no person holding more than 5% of the Company's securities under a voting trust or similar arrangement.

### (4) Changes in Control

To the extent known to the Company, there are no arrangements which may result in a change in control of the Company.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### (1) Related Transactions

Except as disclosed in Note 23 of the 2019 Audited Financial Statements hereto attached, there had been NO transactions during the last two (2) years to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as a director, or owner of more than 5% of the Company's voting securities, or voting trust holder of 5% or more of any class of the Company's securities, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons had or is to have a direct or indirect material interest.

In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

### (2) Not Applicable

### (3) Parent of the Company

As of December 31, 2019, Alakor Corporation holds 54.28% of the Company's outstanding capital stock.

### (4) Transaction with Promoters

The Company has had no transaction with promoters during the last (5) years.

## PART 1V –CORPORATE GOVERNANCE

### ITEM 13. CORPORATE GOVERNANCE

(a) The Company uses the evaluation system established by the SEC in this Memorandum Circular No. 5 series of 2003, including the accompanying Corporate Governance Self Rating Form (CG-SRF) to measure or determine the level of compliance of the Board of Directors and top-level management with the Company's Corporate Governance Manual.

(b) The Company undertakes as self-evaluation process regularly and any deviation from the Company's Corporate Governance Manual is reported to the Management and the Board together with the proposed measures to achieve compliance.

(c) The Company is in full compliance with the leading practices on good corporate governance as embodied in its Revised Manual on Corporate Governance (May 2017).

1. The Company has adopted a Code of Conduct for the Board and its employees, and is being assessed regularly to cope with the dynamics of the business. The Company has existing policies and procedures that can identify and resolve potential conflicts of interest.

2. Employees and officers undergo professional development programs subject to meeting the criteria set by the Company. The Compensation & Remuneration Committee (CRC) is engaged, in the Succession Planning of the Executive officers, including the President. In the latter case, the CRC coordinates closely with the Chairman any and all activities involved in planning for the President's succession.

(d) The Company shall adopt improvement measures on its corporate governance as the exigencies of its business will require from time to time.

(e) The Company filed a copy of its 2018 Integrated Annual Corporate Governance Report (I-ACGR) to the SEC on May 30, 2019 and is posted in the Company website. The I-ACGR for 2019 will be filed with the SEC on or before July 30, 2020.

## PART V - EXHIBITS AND SCHEDULES

### ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

| | | |
|---|---|---|
| A. | Exhibits | see Index to Financial Statement and Supplementary Schedule |
| B. | Report on SEC Form 17-C - | Already filed with the SEC |

### SIGNATURES

Pursuant to the requirement of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mandaluyong on _____ June 2020.

**ALFREDO C. RAMOS**
Chairman of the Board/CEO

**ADRIAN PAULINO S. RAMOS**
President/Director/COO

**IRIS MARIE U. CARPIO-DUQUE**
Corporate Secretary,
Compliance Officer and
Corporate Information Officer

**GILBERT V. RABAGO**
Treasurer

SUBSCRIBED AND SWORN to before me this JUN 3 0 2020 day of June 2020, affiant exhibited to me his Community Tax Certificates, as follows:

| Names | Passport Number/ Government Issued ID | Issue Date/Expiry | Date Place of Issue |
|---|---|---|---|
| Alfredo C. Ramos | E C8370209 | Jul 21, 2016/Jul 20, 2021 | DFA Manila |
| Adrian Paulino S. Ramos | EC6344702 | Jan 08, 2016/Jan 7, 2021 | DFA Manila |
| Iris Marie U. Carpio-Duque | P4323180A | Sep. 09, 2017/ Sep. 10, 2022 | DFA NCR East |
| Gilbert V. Rabago | PRC 0105874 | Valid until 03/24/2023 | Manila |

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DEBORAH S. ACOSTA
NOTARY PUBLIC
ROLL NO. 54547
MANDALUYONG CITY, PHILIPPINES

**ATTY. DEBORAH S. ACOSTA**
Notary Public-City of Mandaluyong
Appt No. 0437-20/Until December 31, 2021
Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City
PTR No. 43395 17/01-09-2020 Mandaluyong City
IBP No. 1087 2/01-09-2020 Manila Chapter
MCLE Compliance No. VI-0026018/05-21-2019
Roll No. 54547

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARY**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**
**AND SUPPLEMENTARY SCHEDULE**
**SEC FORM 17-A**
**DECEMBER 31, 2019**

## CONSOLIDATED FINANCIAL STATEMENTS


Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Public Accountant

Consolidated Statements of Financial Position as at December 31, 2019 and 2018

Consolidated Statements of Comprehensive Income for the Years ended
December 31, 2019, 2018 and 2017

Consolidated Statements of Changes in Equity for the Years ended
December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows for the Years ended
December 31, 2019, 2018 and 2017

Notes to Consolidated Financial Statements


## SUPPLEMENTARY SCHEDULES


Report of Independent Auditors' on Supplementary Schedules

SCHEDULE I Financial Ratios

SCHEDULE II Map of the Relationships of the Company within the Group

SCHEDULE III Schedule of Effective Standards and Interpretations under the PFRS

SCHEDULE IV Reconciliation of Retained Earnings Available for Dividend Declaration

SCHEDULE A. Financial Assets in Equity Securities

SCHEDULE B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than Related Parties)

SCHEDULE C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

SCHEDULE D. Intangible Assets - Other Assets

SCHEDULE E. Long-Term Debt

SCHEDULE F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

SCHEDULE G. Guarantees of Securities of Other Issuers

SCHEDULE H. Capital Stock

# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 1 | 4 | 1 | 0 | 2 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

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

6th Floor Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AACFS | CRMD | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| info@anglophil.com | (02) 8631-5139 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 3,085 | Last Friday of July | 12/31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Gilbert V. Rabago | info@anglophil.com | (02) 8631-5139 | 0917-621-7350 |

**CONTACT PERSON's ADDRESS**

6th Floor Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***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.*

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Anglo Philippine Holdings Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCipGorresVelayo& Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**ALFREDO C. RAMOS**
Chairman of the Board/CEO

**ADRIAN PAULINO S. RAMOS**
President/Director/COO

**GILBERT V. RABAGO**
Treasurer

SUBSCRIBED AND SWORN to before me this JUN 3 0 2020 day of ________ 2020, affiant exhibited to me his/their Valid Identification numbers, as follows:

| Names | Passport Number/ Government Issued ID | Issue Date/Expiry Date | Place of Issue |
|---|---|---|---|
| Alfredo C. Ramos | EC8370209 | Jul 21, 2016/Jul 20, 2021 | DFA Manila |
| Adrian Paulino S. Ramos | EC6344702 | Jan 08, 2016/Jan 7, 2021 | DFA Manila |
| Gilbert V. Rabago | PRC-0105874 | Valid until 03/24/2023 | Manila |

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IRIS MARIE U. CARPIO
NOTARY PUBLIC
ROLL NO. 51028
MANDALUYONG CITY METRO MANILA

**ATTY. IRIS MARIE U. CARPIO**
NOTARY PUBLIC – CITY OF MANDALUYONG
APPT. NO. 0374-20 / UNTIL DECEMBER 31, 2021
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 4337135/ MANDALUYONG CITY / 01-03-2020
IBP NO. 105433 / 01-07-2020 / QC CHAPTER
MCLE COMPLIANCE NO. VI-0022115 / 04-14-202
ROLL NO. 51028 (20

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Anglo Philippine Holdings Corporation
6th Floor Quad Alpha Centrum
125 Pioneer St. Mandaluyong City

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Anglo Philippine Holdings Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**Recoverability of Investments in Associates**

The Group has effective ownership of 28.64% in Atlas Consolidated Mining and Development Corporation (ACMDC), 34.38% in The Philodrill Corporation (TPC), and 25.69% in United Paragon Mining Corporation (UPMC) as at December 31, 2019, which are accounted for using the equity method. The Group's investments in these associates amounting to ₱8.0 billion represent about 84.3% of its consolidated total assets as at December 31, 2019. In 2019, the Group's share in the net losses of associates amounted to ₱195.6 million, which is 137% of the Group's consolidated net loss.

In 2019, the results of operations of the associates are significantly affected by the following:

- Estimation of ore reserves by ACMDC and oil reserves by TPC, which are key inputs to depletion, decommissioning provisions and impairment estimates and involves significant management estimates and assumptions and the involvement of external experts; and,
- Estimation of provisions for plug and abandonment costs of TPC, which requires significant management judgement in the inherently complex process of estimating future costs.

In addition, PAS 36, *Impairment of Assets* requires that an impairment review of the investments in associates be performed when certain impairment indicators are present.

We consider this matter as significant to our audit in view of the magnitude of the investments' carrying amounts and the share in the net losses of these associates and the significant management judgement and estimates applied in determining the recoverable amount of these investments for impairment testing purposes.

Information on these investments is disclosed in Note 10 to the consolidated financial statements.

*Audit Response*

We obtained relevant financial information of the associates and recomputed the Group's share in equity in the associates' net earnings/losses.

In relation to the estimation of and use of judgment for revenue recognition, we reviewed the application of PFRS 15 by the management of ACMDC and TPC, including revenue streams identification and scoping, and contract analysis. In addition, we checked whether all performance obligations within the contracts with customers have been identified. We also checked whether management has identified and estimated all components of the transaction price, and whether the timing of revenue recognition is based on when the performance obligation is satisfied.

In relation to the estimation of ore and oil reserves, we evaluated the competence, capabilities and objectivity of the external specialists engaged by ACMDC and TPC to perform an independent assessment of the ore and oil reserves, respectively, by considering their qualifications, experience and reporting responsibilities. We reviewed the external specialist's report and obtained understanding about the nature, scope and objectives of the work, basis of the estimates including any changes in the ore and oil reserves during the year. In addition, we also tested the ore and oil reserves estimates applied to depletion, decommissioning provisions and impairment estimates.

In relation to the estimation of provisions for plug and abandonment costs, we performed recalculation of TPC's share in the estimated plug and abandonment costs based on TPC's participating interest in the service contracts. We tested the inputs and assumptions used by TPC's management (i.e., discount rate and foreign exchange rate) by comparing these against available market data and checked the adjustment recognized in relation to changes in estimate.

Further, we obtained and reviewed management's impairment analysis. We discussed with management the current and projected financial performance of the associates and assessed whether these were reflected in the Group's own assumptions. We also involved our internal specialist in assessing the Group's methodology and assumptions used in calculating the recoverable amount of the investments which key assumptions include the expected life of the project, future production levels and costs, contribution to Government based on current regulations, gold and copper prices and discount rate. We compared the expected mine life used against the mine life based on the ore reserve report, production reports from the operations departments, current tax laws and forecasted gold and copper prices. We assessed future production levels and costs based on the associates' historical performance.

We compared the key inputs such as gold and copper prices against externally published data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect in the determination of the recoverable amount of the investments in associates.

**Recoverability of Deferred Exploration Costs**

As at December 31, 2019, the carrying value of deferred exploration costs amounted to ₱176.5 million. Under PFRS 6, Exploration for and Evaluation of Mineral Resources, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred explorations costs would depend on the commercial viability of the oil reserves. We considered this as a key audit matter because of materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures related to recoverability of deferred exploration costs are included in Note 13 to the consolidated financial statements.

*Audit Response*

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed relevant updates on the current status of the projects and future management plans. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired or will not expire within their plan of operation. For areas with pending approval for the awarding of service contract from the Philippine Government, we inspected and assessed relevant supporting documents in conjunction with management's assessment regarding the likelihood of awarding. We obtained and reviewed the work program and budget duly approved by the joint operation and regulatory agency. We also obtained the latest management disclosures regarding the status of the Group's service contracts which supports the assessment of the management regarding their recoverability. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ma. Genalin Q. Arevalo.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo
Partner
CPA Certificate No. 108517
SEC Accreditation No. 1613-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 224-024-926
BIR Accreditation No. 08-001998-123-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125207, January 7, 2020, Makati City

June 29, 2020

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2019** | 2018 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 4) | **₱90,807,779** | ₱43,577,731 |
| Trade and other receivables (Note 5) | **202,719,675** | 203,558,272 |
| Financial assets at fair value through profit or loss (FVTPL; Note 6) | **11,964,200** | 12,272,330 |
| Note receivable (Note 8) | – | 60,000,000 |
| Prepaid expenses and other current assets (Note 7) | **14,644,179** | 14,846,661 |
| **Total Current Assets** | **320,135,833** | 334,254,994 |
| **Noncurrent Assets** | | |
| Investments in associates (Note 10) | **7,991,530,236** | 8,387,203,156 |
| Long-term note receivable (Note 8) | **589,690,570** | 600,651,468 |
| Investment properties (Note 12) | **305,581,329** | 305,581,329 |
| Deferred exploration costs (Note 13) | **176,523,661** | 175,667,965 |
| Property and equipment (Note 11) | **9,008,986** | 64,882,106 |
| Financial assets at fair value through other comprehensive income (FVOCI; Note 9) | **2,715,462** | 2,175,600 |
| Net retirement benefit assets (Note 24) | **8,165,341** | 7,068,456 |
| Other noncurrent assets (Note 14) | **71,321,045** | 71,958,634 |
| **Total Noncurrent Assets** | **9,154,536,630** | 9,615,188,714 |
| **TOTAL ASSETS** | **₱9,474,672,463** | ₱9,949,443,708 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses (Note 15) | **₱254,130,896** | ₱267,781,517 |
| Current portion of due to related parties (Note 23) | **41,880,742** | 838,928,622 |
| Current portion of subscription payable (Note 10) | **2,136,170** | 2,780,623,880 |
| Provision for plug and abandonment costs (Note 13) | **467,016** | 467,016 |
| Current portion of loan payable (Note 17) | – | 18,174,226 |
| Current portion of finance lease liability (Note 17) | – | 3,839,071 |
| Income tax payable | **37,500** | 1,400 |
| **Total Current Liabilities** | **298,652,324** | 3,909,815,732 |
| **Noncurrent Liabilities** | | |
| Subscription payable - net of current portion (Note 10) | **2,694,916,132** | – |
| Due to related parties - net of current portion (Note 23) | **797,047,880** | – |
| Deposits from customers (Note 15) | **15,559,916** | 5,432,916 |
| Loans payable - net of current portion (Note 17) | – | 22,407,375 |
| Finance lease liability - net of current portion (Note 17) | – | 1,649,308 |
| Deferred income tax liabilities - net (Note 25) | **3,995,081** | 4,616,175 |
| **Total Noncurrent Liabilities** | **3,511,519,009** | 34,105,774 |
| **Total Liabilities** | **3,810,171,333** | 3,943,921,506 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2019** | 2018 |
| **Equity** (Note 18) | | |
| Capital stock - ₱1 par value | | |
| Authorized - 4,000,000,000 shares | | |
| Issued - 3,008,919,508 shares | **₱3,008,919,508** | ₱3,008,919,508 |
| Subscribed - 7,383,030 shares (net of subscriptions receivable of ₱1,367,687) | **6,015,343** | 6,015,343 |
| Additional paid-in capital | **1,570,157,056** | 1,570,157,056 |
| Net unrealized valuation loss on financial assets at FVOCI (Note 9) | **(1,617,491)** | (2,157,353) |
| Remeasurement gains on defined benefit obligation, net of deferred taxes | **2,140,453** | 1,355,141 |
| Share in other comprehensive income of associates (Note 10) | **282,200,844** | 482,233,162 |
| Retained earnings | **817,273,556** | 959,479,811 |
| Treasury stock - 13,000,000 shares at ₱2.12 cost per share | **(27,566,075)** | (27,566,075) |
| Equity attributable to equity holders of the Parent Company | **5,657,523,194** | 5,998,436,593 |
| Non-controlling interest | **6,977,936** | 7,085,609 |
| **Total Equity** | **5,664,501,130** | 6,005,522,202 |
| **TOTAL LIABILITIES AND EQUITY** | **₱9,474,672,463** | ₱9,949,443,708 |

*See accompanying Notes to Consolidated Financial Statements.*

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **REVENUES** | | | |
| Interest income (Note 21) | **₱37,636,858** | ₱33,889,093 | ₱34,148,962 |
| Gains on: | | | |
| Day 1 gain (Note 10) | **97,253,719** | – | – |
| Sale of property and equipment (Note 11) | **29,624,051** | 70,000 | – |
| Foreign exchange gain- net | **–** | 30,268,309 | – |
| Sale of investments | **–** | – | 780,071 |
| Revenue from contracts with customers: | | | |
| Sale of aggregates | **17,680,164** | 31,265,927 | – |
| Royalty income (Note 16) | **8,967,423** | 10,523,913 | 8,403,894 |
| Dividend income (Notes 6 and 9) | **552,047** | 604,396 | 446,139 |
| Other income | **200,000** | – | – |
| | **191,914,262** | 106,621,638 | 43,779,066 |
| **COST AND EXPENSES** | | | |
| Equity in net losses of associates (Note 10) | **195,640,602** | 597,605,340 | 213,244,350 |
| General and administrative expenses (Note 20) | **67,427,585** | 56,567,007 | 53,722,739 |
| Cost of sales (Note 19) | **32,892,803** | 42,592,657 | – |
| Accretion of discount on subscription payable (Note 10) | **13,682,141** | – | – |
| Interest and other finance charges (Note 21) | **1,603,220** | 2,737,345 | 164,449 |
| Losses on: | | | |
| Foreign exchange loss – net | **22,308,132** | – | 572,194 |
| Sale of assets | **390,406** | – | 8,915,819 |
| Fair value changes of financial assets at FVTPL (Note 6) | **308,130** | 1,419,477 | 290,800 |
| Sale of investments (Note 9) | **–** | 199,914 | – |
| Provision for impairment of deferred oil exploration costs (Note 13) | **–** | 33,569,773 | – |
| Plug and abandonment costs (Note 13) | **–** | 3,988,144 | – |
| | **334,253,019** | 738,679,657 | 276,910,351 |
| **LOSS BEFORE INCOME TAX** | **(142,338,757)** | (632,058,019) | (233,131,285) |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 25) | | | |
| Current | **932,828** | 875,034 | 1,036,547 |
| Deferred | **(957,657)** | 12,926,576 | 98,552 |
| | **(24,829)** | 13,801,610 | 1,135,099 |
| **NET LOSS** | **(₱142,313,928)** | (₱645,859,629) | (₱234,266,384) |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **Net loss attributable to:** | | | |
| Equity holders of the Parent Company | **(₱142,206,255)** | (₱645,756,046) | (₱234,175,658) |
| Non-controlling interest | **(107,673)** | (103,583) | (90,726) |
| | **(142,313,928)** | (645,859,629) | (234,266,384) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items that will not be reclassified to profit or loss in subsequent periods:* | | | |
| Share in other comprehensive income (loss) of associates (Note 10) | **(33,424,560)** | 9,584,878 | 5,852,107 |
| Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 24) | **785,312** | (482,885) | 723,188 |
| Net unrealized valuation gain on financial assets at FVOCI (Note 9) | **539,862** | 7,500 | – |
| *Items that will be reclassified to profit or loss in subsequent periods:* | | | |
| Share in other comprehensive income (loss) of associates (Note 10) | **(166,607,758)** | 258,671,584 | 5,899,217 |
| Net unrealized valuation loss on Available-for-sale (AFS) financial assets | **–** | – | (81,750) |
| | **(198,707,144)** | 267,781,077 | 12,392,762 |
| **TOTAL COMPREHENSIVE LOSS** | **(₱341,021,072)** | (₱378,078,552) | (₱221,873,622) |
| **TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | **(₱340,913,399)** | (₱377,974,969) | (₱221,782,896) |
| Non-controlling interest | **(107,673)** | (103,583) | (90,726) |
| | **(₱341,021,072)** | (₱378,078,552) | (₱221,873,622) |
| **Basic and Diluted Loss Per Share** (Note 26) | **(₱0.05)** | (₱0.22) | (₱0.08) |

*See accompanying Notes to Consolidated Financial Statements.*

# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

| | Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 18) | | | | | | | | | | | | |
| | Issued | Subscribed | Subscriptions Receivable | Subscribed - net | Additional Paid-in Capital (Note 18) | Net Unrealized Gain (Loss) on AFS/FVOCI (Note 9) | Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 24) | Share in Other Comprehensive Income (Loss) of Associates (Note 10) | Retained Earnings | Treasury Stock (Note 18) | Total | Non-controlling Interest | Total |
| **Balances at January 1, 2017** | **₱3,008,919,508** | **₱7,383,030** | **(₱1,367,687)** | **₱6,015,343** | **₱1,570,157,056** | **₱245,250** | **₱1,114,838** | **₱202,225,376** | **₱1,839,248,015** | **(₱27,566,075)** | **₱6,600,359,311** | **₱7,279,918** | **₱6,607,639,229** |
| Net loss | – | – | – | – | – | – | – | – | (234,175,658) | – | (234,175,658) | (90,726) | (234,266,384) |
| Other comprehensive income (loss) | – | – | – | – | – | (81,750) | 723,188 | 11,751,324 | – | – | 12,392,762 | – | 12,392,762 |
| Total comprehensive income (loss) | – | – | – | – | – | (81,750) | 723,188 | 11,751,324 | (234,175,658) | – | (221,782,896) | (90,726) | (221,873,622) |
| **Balances at December 31, 2017** | **3,008,919,508** | **7,383,030** | **(1,367,687)** | **6,015,343** | **1,570,157,056** | **163,500** | **1,838,026** | **213,976,700** | **1,605,072,357** | **(27,566,075)** | **6,378,576,415** | **7,189,192** | **6,385,765,607** |
| Effect of adoption of PFRS 9 (Note 9) | – | – | – | – | – | (2,164,853) | – | – | – | – | (2,164,853) | – | (2,164,853) |
| **Balances at January 1, 2018, as restated** | 3,008,919,508 | 7,383,030 | (1,367,687) | 6,015,343 | 1,570,157,056 | (2,001,353) | 1,838,026 | 213,976,700 | 1,605,072,357 | (27,566,075) | 6,376,411,562 | 7,189,192 | 6,383,600,754 |
| Realized loss upon disposal of financial assets at FVOCI | – | – | – | – | – | (163,500) | – | – | 163,500 | – | – | – | – |
| Net loss | – | – | – | – | – | – | – | – | (645,756,046) | – | (645,756,046) | (103,583) | (645,859,629) |
| Other comprehensive income (loss) | – | – | – | – | – | 7,500 | (482,885) | 268,256,462 | – | – | 267,781,077 | – | 267,781,077 |
| Total comprehensive income (loss) | – | – | – | – | – | 7,500 | (482,885) | 268,256,462 | (645,756,046) | – | (377,974,969) | (103,583) | (378,078,552) |
| **Balances at December 31, 2018** | **3,008,919,508** | **7,383,030** | **(1,367,687)** | **6,015,343** | **1,570,157,056** | **(2,157,353)** | **1,355,141** | **482,233,162** | **959,479,811** | **(27,566,075)** | **5,998,436,593** | **7,085,609** | **6,005,522,202** |
| Net loss | – | – | – | – | – | – | – | – | (142,206,255) | – | (142,206,255) | (107,673) | (142,313,928) |
| Other comprehensive income (loss) | – | – | – | – | – | 539,862 | 785,312 | (200,032,318) | – | – | (198,707,144) | – | (198,707,144) |
| Total comprehensive income (loss) | – | – | – | – | – | 539,862 | 785,312 | (200,032,318) | (142,206,255) | – | (340,913,399) | (107,673) | (341,021,072) |
| **Balances at December 31, 2019** | **₱3,008,919,508** | **₱7,383,030** | **(₱1,367,687)** | **₱6,015,343** | **₱1,570,157,056** | **(₱1,617,491)** | **₱2,140,453** | **₱282,200,844** | **₱817,273,556** | **(₱27,566,075)** | **₱5,657,523,194** | **₱6,977,936** | **₱5,664,501,130** |

*See accompanying Notes to Consolidated Financial Statements.*

# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before income tax | **(₱142,338,757)** | (₱632,058,019) | (₱233,131,285) |
| Adjustments for: | | | |
| Equity in net losses of associates (Note 10) | **195,640,602** | 597,605,340 | 213,244,350 |
| Day 1 gain (Note 10) | **(97,253,719)** | – | – |
| Interest income (Note 21) | **(37,636,858)** | (33,889,093) | (34,148,962) |
| Loss (gain) on sale of asset (Notes 9 and 11) | **(29,233,645)** | 129,914 | 8,915,819 |
| Depreciation, depletion and amortization (Notes 11, 14, 19 and 20) | **24,599,152** | 29,623,435 | 2,174,538 |
| Unrealized foreign exchange losses (gains) | **22,697,132** | (30,105,592) | (1,317,164) |
| Accretion of discount in subscription payable (Note 10) | **13,682,141** | – | – |
| Provision for impairment losses (Notes 5, 13, 14 and 20) | **5,100,000** | 38,983,250 | – |
| Dividend income (Notes 6 and 9) | **(552,047)** | (604,396) | (446,139) |
| Changes in fair value of financial assets at FVTPL (Note 6) | **308,130** | 1,419,477 | 290,800 |
| Net change in retirement benefit assets (Notes 22 and 24) | **24,990** | 106,895 | 124,227 |
| Interest and other finance charges (Note 21) | – | 2,737,345 | 164,449 |
| Operating loss before working capital changes | **(44,962,879)** | (26,051,444) | (44,129,367) |
| Increase in: | | | |
| Trade and other receivables | **(1,777,387)** | (10,677,546) | (11,854,785) |
| Prepaid expenses and other current assets | **(730,346)** | (1,038,809) | (504,383) |
| Decrease in: | | | |
| Accounts payable and accrued expenses | **(1,419,426)** | (6,954,240) | (20,989,315) |
| Due to related parties | – | (2,862,652) | (3,193,120) |
| Cash flows used in operations | **(48,890,038)** | (47,584,691) | (80,670,970) |
| Interest received | **35,152,842** | 33,970,461 | 32,836,262 |
| Interest paid | **(1,603,220)** | (2,513,015) | – |
| Income taxes paid | **(1,400)** | – | – |
| Net cash flows used in operating activities | **(15,341,816)** | (16,127,245) | (47,834,708) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Sale of property and equipment (Note 11) | **61,674,125** | 70,000 | – |
| Repayment of long-term note receivable and interest (Note 8) | **48,872,007** | – | 808,505,795 |
| Dividends received | **552,047** | 604,396 | 446,139 |
| Disposal of financial asset at FVOCI | – | 4,051,086 | 9,465,000 |
| Refund of deposits | – | 16,750,205 | – |
| Issuance of long-term note receivable (Note 8) | – | – | (686,993,695) |
| Additions to: | | | |
| Property and equipment (Note 11) | **(992,398)** | (208,666) | (68,505,798) |
| Deferred exploration costs (Note 13) | **(855,696)** | (626,572) | (2,257,942) |
| Financial assets at FVTPL (Note 6) | – | (9,978,987) | (2,912,200) |
| Investments in associates (Note 10) | – | (1,705,935) | (926,162,571) |
| Investment property (Note 12) | – | – | (124,562) |
| Other noncurrent assets | – | – | (38,351,883) |
| Net cash flows from (used in) investing activities | **109,250,085** | 8,955,527 | (906,891,717) |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payments of: | | | |
| Loans payable | **(₱40,581,601)** | (₱7,950,000) | ₱– |
| Finance lease liability | **(5,488,379)** | (9,333,333) | – |
| Net proceeds from: | | | |
| Advances from a related party (Note 23) | **–** | – | 797,947,880 |
| Availment of loan | **–** | 48,700,000 | – |
| Net cash flows from (used in) financing activities | **(46,069,980)** | 31,416,667 | 797,947,880 |
| **EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(608,241)** | 281,761 | 18,332 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **47,230,048** | 24,526,710 | (156,760,213) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **43,577,731** | 19,051,021 | 175,811,234 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 4) | **₱90,807,779** | ₱43,577,731 | ₱19,051,021 |

*See accompanying Notes to Consolidated Financial Statements.*

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information, Status of Operations and Management Plans and Authorization for Issue of the Consolidated Financial Statements

Anglo Philippine Holdings Corporation

Anglo Philippine Holdings Corporation (the Parent Company; APHC) was registered with the Philippine Securities and Exchange Commission (SEC) on June 25, 1958 originally as an oil and mineral exploration entity with the corporate name of "Anglo Philippine Oil Corp.". In 1996, the Parent Company changed its primary purpose to that of an investment holding firm focused on natural resources-based companies, infrastructure and property development. On September 14, 2006, the SEC approved the Parent Company's amended Articles of Incorporation extending the life of the Parent Company for another fifty (50) years from June 25, 2008. The Parent Company is a Public Company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE).

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely metallic mineral mining and exploration, oil exploration and productions, infrastructure and property development and real estate.

The Parent Company is owned by Alakor Corporation (Alakor) and National Book Store, Inc. (NBS) with a combined ownership of 80.17%. Alakor and NBS are entities incorporated and domiciled in the Philippines. Alakor is the ultimate parent of the Group.

The registered office address of the Parent Company is 6th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

The Group incurred net losses of ₱142.3 million and ₱645.9 million in 2019 and 2018, respectively, which mainly arose from the Group's share in net losses of associates. Management performed impairment test as at December 31, 2019 and 2018 and assessed that the Group's investments in associates are not impaired (see Note 10).

As at December 31, 2018, the Group's current liabilities exceeded its current assets by ₱3,575.6 million, which is largely attributed to the subscriptions payable arising from the Parent Company's additional investment in Atlas Consolidated Mining and Development Corporation (ACMDC) which totalled ₱3,577.7 million and is considered an investing activity. Net cash flows used in operating activities amounted to ₱16.1 million and ₱47.8 million in 2018 and 2017, respectively. To pay off currently maturing obligations arising from operations, the Group has sufficient financial assets which amounted to ₱319.3 million as of December 31, 2018.

Following are management's continuing action plans to improve and sustain the Group's operations, among others:

a. The Parent Company will obtain financial assistance from its major shareholders to support the Group's operating and investing activities and secure a commitment from related parties to defer payment of the Group's liabilities due to them;
b. The Group will examine various project financing options to fund its exploration work program; and,
c. The Group will expand the quarry area and improve cost efficiency measures to increase profitability.

As of December 31, 2019, the Group's current assets have already exceeded its current liabilities by ₱ 21.5 million. This is mainly because of the reclassification of subscriptions payable from current to non-current liabilities (see Note 10).

On this basis, the Group continues to adopt the going concern basis in preparing the consolidated financial statements and considers that there are no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. This basis of preparation presumes that the Group will continue to receive the support of its major shareholders and will realize its assets and discharge its liabilities in the ordinary course of business.

Authorization for Issue of the Consolidated Financial Statements
The consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the Board of Directors (BOD) on June 29, 2020.

## 2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis except for financial assets measured at fair value through profit-or-loss (FVTPL) and financial assets measured at fair value through other comprehensive income (FVOCI), which are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRSs). All values are rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with PFRSs.

Basis for Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

The Group is considered to have control over an investee, if and only if the Group has:

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI), even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group balances and transactions, including income, expenses, unrealized gains and losses and dividends, are eliminated in full consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- 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; and,
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income (OCI) or other comprehensive income to profit or loss or retained earnings, as appropriate.

NCI represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

| | | Percentage of Ownership | |
|---|---|---|---|
| Group | Principal Activities | **2019** | 2018 |
| *Direct interest* | | | |
| Vulcan Materials Corporation (VMC) | Mining exploration and sale of aggregates | 100 | 100 |
| Tipo Valley Realty, Inc. (TVRI) | Real estate holding and development | 97.59 | 97.59 |
| Anglo Phil. Power Corp. (APPC) | Energy resources | 100 | 100 |
| *Indirect interest* | | | |
| Bataan Aggregates Corp. (BAC) | Sand and gravel quarrying | 100 | 100 |

VMC was registered with the Philippine SEC on September 12, 1991 and was previously engaged in mining exploration and sale of aggregates. As at December 31, 2019, VMC has no operations.
On December 22, 2015, the Parent Company acquired 97.59% of interest in TVRI which is engaged in real estate development. As at December 31, 2019, TVRI has not yet started commercial operations.

APPC was registered with the Philippine SEC on September 26, 2016 primarily to undertake the development, exploitation and processing of any energy resources.

BAC was registered with the Philippine SEC on May 4, 2017 and is primarily engaged in sand and gravel quarrying. BAC started commercial operations in January 2018. On September 24, 2019, the BOD of BAC authorized the termination of the Company's quarrying project and the execution of sale of the Company's machines, equipment and other inventories located in the quarry premises.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019:

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

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

  These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC-4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives*, and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

  These amendments have no significant impact on the consolidated financial statements of the Group. The Group does not have any leases which are in-scope under the new leases standard.

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

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

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

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

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

The amendments have no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

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

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

  Since the Group does not have long-term interests in associate and joint venture to which equity method is not applied, these amendments do not have an impact on its consolidated financial statements.

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

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

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation does not have an impact on the consolidated financial statements of the Group.

*Annual Improvements to PFRSs* 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

  These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

  These amendments have no impact on the consolidated financial statements of the Group since there was no dividends declared during the year.

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

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

  These amendments have no impact on the consolidated financial statements of the Group.

<u>New Standards and Interpretation Issued and Effective after December 31, 2019</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective Beginning on or After January 1, 2020*

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

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

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

  These amendments will apply to future business combinations of the Group.

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

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

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

  The Group is currently assessing the impact of adopting these amendments.

*Effective Beginning on or After January 1, 2021*

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

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

The new standard is not expected to have a material impact on the consolidated financial statements of the Group because it is not engaged in the insurance business.

*Deferred Effectivity*

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

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

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

  The Group plans to apply the amendments on the required effective date.

## Summary of Significant Accounting Policies

### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

The Group classifies all other liabilities as noncurrent.

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

The 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 consolidated 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 each end of the 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 asset or liability and the level of the fair value hierarchy as explained above.

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in single consolidated statement of comprehensive income.

Financial Instruments

*Initial Recognition*

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

Financial assets and financial 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 FVTPL.

*Classification and Subsequent Measurement Prior to January 1, 2018*

*Financial Assets*
Financial assets are classified in the following categories: financial assets at FVTPL, loans and receivables, AFS financial assets, held-to-maturity (HTM) investment, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired and whether they are quoted in an active market. The Parent Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

- *Financial Assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading purposes and financial assets designated upon initial recognition as at FVTPL.

  Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses are recognized in consolidated statement of comprehensive income. Interest and dividend income or expense is recognized in the consolidated statement of comprehensive income, according to the terms of the contract, or when the right to the payment has been established. Interest earned on holding financial assets at FVTPL is reported as interest income using the EIR. Dividends earned on holding financial assets at FVTPL are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

  Financial assets may be designated as at FVTPL by management on initial recognition when any of the following criteria are met:

  - The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
  - The assets are part of Parent Company's financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or,

- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Parent Company's investments that are held for trading are classified as financial assets at FVTPL as at December 31, 2017.

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVTPL or designated as AFS financial asset. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the "Interest income" account in the consolidated statement of comprehensive income. Any losses arising from impairment are recognized in "General and administrative expenses" in the consolidated statement of comprehensive income.

  As at December 31, 2017, the Parent Company's loans and receivables include cash and cash equivalents, receivables, long-term note receivable and deposit under "Other noncurrent assets".

- *AFS Financial Assets.* AFS financial assets are those non derivative financial assets designated as such or are not classified as at FVTPL, HTM investments or loans and receivables. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

  After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses arising from the changes in fair values of AFS financial assets are reported in (OCI). When the investment is disposed of or determined to be impaired, the cumulative gains or losses previously recognized in OCI is recognized as income or loss in the consolidated statement of comprehensive income. Dividends earned on holding AFS financial assets are recognized when the right of payment has been established. The losses arising from impairment of such financial assets are recognized as provision for impairment losses in the consolidated statement of comprehensive income.

  The fair value of AFS financial assets that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the reporting period. AFS financial assets whose fair value cannot be reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, are carried at cost.

  The Parent Company's AFS financial assets are presented under noncurrent assets in the consolidated statements of financial position. As at December 31, 2017, the Parent Company's AFS financial assets include investments in quoted and unquoted equity shares.

- *HTM Investments.* Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Parent Company has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

As at December 31, 2017, the Parent Company has no HTM investments.

*Financial Liabilities*
Financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities, as appropriate.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Parent Company's financial liabilities are in the nature of other financial liabilities. As at December 31, 2017, the Parent Company has no financial liabilities at FVTPL.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Issued financial instruments or their components, which are not classified as at FVTPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

  As at December 31, 2017, the Parent Company's financial liabilities include accounts payable and accrued expenses (excluding statutory payables), subscription payable and due to related parties.

*Classification and Measurement Effective January 1, 2018*

*Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at FVTPL;
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and,
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

*Contractual Cash Flows Characteristics.* If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Business Model.* The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

- *Financial Assets at Amortized Cost.* A debt financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for bad debts" in the consolidated statement of income.

  As at December 31, 2019 and 2018, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, note receivable, long-term note receivable and deposit under "Other noncurrent assets".

- *Financial Assets at FVTPL.* Financial assets at FVTPL are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVTPL consists of investments in quoted equity shares that are held for trading as at December 31, 2019 and 2018.

- *Financial Assets at FVOCI.* A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

  The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

  Dividends are recognized in profit or loss only when:
  - the Group's right to receive payment of the dividend is established;
  - it is probable that the economic benefits associated with the dividend will flow to the Group; and,
  - the amount of the dividend can be measured reliably.

  As at December 31, 2019 and 2018, the Group's financial assets at FVOCI pertains to investments in unquoted equity shares that are not held for trading.

*Classification of Financial Liabilities.* Financial liabilities are measured at amortized cost, except for the following:

- Financial liabilities measured at fair value through profit or loss;

- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and,
- Contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or,
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As at December 31, 2019 and 2018, the Group's financial liabilities include accounts payable and accrued expenses (excluding statutory payables), subscription payable, due to related parties, loan payable and finance lease liability.

*Impairment of Financial Assets Prior to January 1, 2018*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or Group of financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after initial recognition of the asset (an incurred "loss event") and that loss has an impact on the estimated future cash flows of the financial asset or the Group of financial asset that can be reliably estimated.

Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

*Loans and Receivables.* For loans and receivables, 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 is 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.

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss on loans and receivables 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 EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be recognized based on the reduced amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income by adjusting the allowance account.

*AFS Financial Assets Carried at Cost.* If there is objective evidence that an impairment loss in unquoted equity instrument for AFS financial assets carried at cost, such as unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, 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.

Objective evidence of impairment includes, but is not limited to, significant financial difficulty of the issuer or obligor and it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

*AFS Financial Assets Carried at Fair Value.* For AFS financial assets, the Group assesses at each end of reporting period whether there is objective evidence that an AFS financial asset is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against cost of the investment and "prolonged" against the period in which the fair value has been below its original 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 previously recognized in OCI) is removed from OCI and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. While increases in fair value after impairment are recognized directly in OCI under equity.

*Impairment of Financial Assets Effective January 1, 2018*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

- *Determination of the Stage for Impairment.* At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

  An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

- *Simplified Approach.* The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For any other financial assets carried at amortized cost (which are due in more than 12 months), the expected credit losses is based on the 12-month expected credit losses. The 12-month expected credit losses is the proportion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Derecognition of Financial Instruments

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

*Financial Liabilities*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group's consolidated statement of comprehensive income.

*"Day 1" Difference*
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss under "Interest income" and "Interest expense" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the

difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

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

Prepaid Expenses and Other Current Assets

*Prepaid Expenses*
Prepaid expenses include items of goods or services purchased by the Group for use in its operations but not fully consumed by the end of the accounting period. When goods or services are initially purchased, the amount is recorded in the asset account. At the end of the period, the Group determines the portion of such expenditures that is applicable to subsequent period and the portion used up during the current period. The used-up portion is recognized in profit or loss.

*Advances to Suppliers*
Advances to supplier represents prepayments relative to acquisitions of assets or operational agreements entered into by the Group and its suppliers. These advances will be reclassified to the specific asset account once the risks and rewards over the assets are transferred to the Group or charged to expense once the related services are rendered.

Prepaid expenses and advances to suppliers are included in current assets, except when the related goods services are expected to be received or rendered more than twelve (12) months after the reporting date which are classified as noncurrent assets.

*Prepaid Taxes*
Prepaid taxes consist substantially of creditable withholding taxes (CWTs) which are recognized as assets to the extent that it is probable that the benefit will flow to the Group. These are derecognized when there is a legally enforceable right to apply the recognized amounts against related liability with the period prescribed by the relevant tax laws.

Investments in Associates
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

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

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to the consolidated statement of comprehensive income in the period 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 additional costs of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization of other items of property and equipment is computed using the straight-line method over the estimated useful lives of the asset as follows:

| Category | Number of Years |
|---|---|
| Condominium units and improvements | 20 |
| Machinery and equipment | 3 - 15 |
| Transportation equipment | 3 - 5 |
| Furniture, fixtures and office equipment | 2 - 5 |

The assets residual values, useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, both the cost and related accumulated depletion, depreciation, amortization and any impairment in value are removed from the accounts, and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period.

Investment Properties

Investment properties pertain to the Group's investment in parcels of land and related improvements that are measured initially at cost, including transaction costs. Expenditures for the development and improvement of land are capitalized as part of the cost of the land. The carrying amounts include the costs of replacing part of an existing investment property at the time those costs are incurred if the recognition criteria are met, and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, these are carried at cost less any impairment in the books of the Group.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Under the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Deferred Exploration Costs

Oil, gas and mineral exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under "Deferred exploration costs" account. The Group's deferred exploration costs are specifically identified for each Service Contract (SC)/Geophysical Survey, Exploration Contract (GSEC) area and quarrying area. All oil exploration costs relating to each SC/GSEC are deferred pending the determination of whether the contract area contains oil, gas and mineral reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of comprehensive income when incurred.

If no potentially commercial hydrocarbons are discovered or mineral reserve, the deferred exploration costs are written off through the consolidated statement of comprehensive income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the deferred exploration costs relating to the SC/GSEC, where oil, gas and mineral in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to property and equipment in the consolidated statement of financial position.

Deferred exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

<u>Other Noncurrent Assets</u>

*Advances for Future Land Acquisitions*
Advances for future land acquisitions represent the advance payments to the land owners plus transaction costs. These are carried at undiscounted amounts.

*Input Value-Added Tax (VAT)*
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

*Leasehold Rights*
Leasehold rights pertain to an interest in real property held under agreement by which the owner gives the Group the right to occupy or use the property for a period of time. This is amortized over the life of the contract.

<u>Impairment of Nonfinancial Assets</u>

*Investments in Associates*
The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment being the difference between the recoverable amount of the investment and the carrying value and recognizes the amount in the consolidated statement of comprehensive income.

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognized impairment loss is reverse only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investments is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

*Deferred Exploration Costs*
An impairment review is performed, either individually or at the cash generating unit (CGU) level, when there are indicators that the carrying amount of the deferred oil exploration costs may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

*Prepaid Expenses and Other Current Assets, Property and Equipment, Investment Properties and Other Noncurrent Assets (excluding Deposit)*
The Group assesses at each reporting period whether there is an indication that a nonfinancial asset may be impaired when events or changes in circumstances indicate that the carrying value of an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. As asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the Group's consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by

discounting the expected future cash flows at a pre-tax amount that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as "Interest and other finance charges" in the consolidated statement of comprehensive income.

Equity

*Capital Stock.* The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

*Subscription Receivable.* Subscription receivable pertains to the amount of subscribed capital stock less the amount paid-up. Subscription receivable is presented as deduction from capital stock.

*Additional Paid-in Capital.* Additional paid-in capital is the portion of paid-in capital received representing excess over par value.

*Treasury Stock.* Treasury stock is recorded at cost and is presented as a deduction from equity. Any consideration paid or received in connection with treasury stock is recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given:

- Additional paid-in capital to the extent of the specific or average additional paid in capital when the shares are issued, and
- Retained earnings.

When shares are sold, the treasury stock account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to the issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

*Retained Earnings.* Retained earnings represent the cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividend distribution to the Group's stockholders is recognized as a liability and deducted from retained earnings when they are approved by the Group's BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

*Other Comprehensive Income.* Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRSs.

Revenue Recognition

*Prior to the Adoption of PFRS 15*
Revenue is recognized based on the transfer of risks and rewards and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received as receivables, excluding discounts, rebates, and other sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

*Upon Adoption of PFRS 15*
Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

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

*Revenue from Contracts with Customers*

- *Sale of Aggregates.* Sale of aggregates is recognized when the goods are delivered to and accepted by the customer. Sale of aggregates is recognized when control passes to the customer, which occurs at a point in time when the aggregates are physically transferred and accepted by the customer. Selling prices are based on agreed prices between the customer and the Group.

- *Royalty Income.* Royalty income is recognized over time under PFRS 15 when earned which is consistent under PAS 18.

Interest Income
Income is recognized as the interest accrues (using the EIR that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend Income
Dividend income is recognized when the shareholder's right to receive payment is established.

Other Income
Income is recognized in the consolidated statement of comprehensive income as they are earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. General and administrative expenses are generally recognized when the services are used or the expenses arise while interest and other finance charges are accrued in the appropriate period.

Earnings (Loss) Per Share (EPS)
Basic EPS is computed based on the weighted average number of shares outstanding and subscribed for each respective period with retroactive adjustments for stock dividends declared, if any. When shares are dilutive, the unexercised portion of stock options is included as stock equivalents in computing diluted earnings per share.

Diluted EPS amounts are calculated by dividing the net income (loss) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Since the Group has no potential dilutive common shares, basic and diluted earnings per share are stated at the same amount.

Business Segment
For management purposes, the Group is organized into two (2) major operating segments (mining and non-mining business) according to the nature of the products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments are presented in Note 30.

Retirement Benefits Plan
The Group has a defined retirement benefit plan which requires contributions to be made to a separately administered fund. The net defined benefit liability or asset 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 any 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 plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements 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 "Personnel cost" under general and administrative expenses in the consolidated statement of comprehensive income. 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.

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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in OCI until full settlement of the obligation.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

*Current Tax*
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The income tax rates and income tax laws used to compute the amount are those that have been enacted or substantively enacted as at the end of the reporting period.

The Group records uncertain tax positions on the basis of a two-step process whereby the Group determines whether it is more likely than not that the tax positions will be sustained based on technical merits of the position, and for those tax positions that meet the more likely than not criteria, the Group recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with related tax authority. The Group records interest and penalties on uncertain tax positions in "Income tax expense (benefit)" account in the consolidated statement of comprehensive income.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in foreign subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at each end of the reporting period.

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

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. All differences are taken to "Foreign exchange gains (losses) - net" in the consolidated statement of comprehensive income.

Contingencies

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

Events After the Reporting Period

Post year-end events that provide additional information on the Group's financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## 3. Significant Accounting Judgments and Estimates

The Group's consolidated financial statements prepared in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect amounts reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

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. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

*Determining Whether Significant Influence Exists for Purposes of Applying PAS 28, Investment in Associates and Joint Ventures*

The Group evaluates various factors in determining whether significant influence exists. Under PAS 28, there is a presumption that if ownership is below 20%, significant influence does not exist unless otherwise supported. Among the factors being considered by management in the assessment are, degree of representation in the BOD of the investee, representations in management committees of the investee, corporate governance arrangements, and power to veto significant operating and financial decisions.

Starting in 2015, the Group classified its 8.36% investment in ACMDC as an investment in associate which was previously classified as AFS financial asset due to the execution of Collective Undertaking of Ramos Group to maintain its significant representation in the BOD of ACMDC. In 2017, the Group subscribed to an additional 845 million shares of ACMDC at ₱4.3842 per share and paid the corresponding paid-up capital of ₱926.2 million. As a result, the Group's percentage of ownership increased from 8.36% to 28.64% (see Note 10).

Estimates and Assumptions

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

*Estimating Allowance for Impairment Losses of Receivables (applicable until December 31, 2017 prior to the adoption of PFRS 9)*

The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received.

No provision for impairment loss on receivables was recognized in 2017 (see Note 20). The receivables and long-term note receivable amounted to ₱826.6 million as at December 31, 2017.

*Measurement of Expected Credit Losses (applicable starting January 1, 2018 upon adoption of PFRS 9)*
Expected credit losses are derived from unbiased and probability weighted estimates of expected loss, and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, or an approximation thereof.

For trade receivables, the Group uses the provision matrix which is based on the Group's historical observed loss rates with adjustment for forward-looking information and macroeconomic variables. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

For other debt financial assets, the Group evaluates credit exposures and significant changes in credit risk with reference to comparable entities in the same industry, size and geographical operations. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit losses).

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Provision for expected credit loss on trade and other receivables amounted to ₱5.1 million, and ₱3.4 million in 2019 and 2018, respectively (see Notes 5 and 20). Trade and other receivables, net of allowance for impairment loss on receivable, note receivable and long-term note receivable amounted to ₱792.4 million and ₱864.3 million as at December 31, 2019 and 2018, respectively (see Notes 5 and 8).

*Estimating Impairment on Investments in Associates*
PFRSs requires that an impairment review be performed when certain impairment indicators are present. In determining the recoverable amount of the investment in associates, the Group makes estimates and assumptions that can materially affect the consolidated financial statements. The Group considers the current and projected financial performance of the associates and determines future cash flows expected to be generated from the continued use and ultimate disposition of such assets.

Management performed impairment test as at December 31, 2019 and 2018. The recoverable amount of the Group's investment in associates has been determined using a discounted cash flow (DCF) projection.

The calculation of the value-in-use of the associates' underlying assets incorporates the following key assumptions:

- Expected life of the project;
- Future production levels and costs;
- Contribution to the Government:
- Commodity prices; and
- Pre-tax discount rates.

The significant assumptions in the value-in-use calculation and sensitivity to changes in assumptions are disclosed in Note 10.

Investments in associates amounted to ₱7,991.5 million and ₱8,387.2 million as at December 31, 2019 and 2018, respectively. No provision for impairment losses recognized in 2019, 2018 and 2017 (see Note 10).

*Assessing Recoverability of Deferred Exploration Costs*
The Group assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and,
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Provision for impairment of deferred exploration costs amounted to nil, ₱33.6 million and nil in 2019, 2018 and 2017, respectively. The carrying value of deferred exploration costs amounted to ₱176.5 million and ₱175.7 million as at December 31, 2019 and 2018, respectively (see Note 13).

*Estimating Useful Lives of Property and Equipment*
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates

brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets. There is no change in the estimated useful lives of the property and equipment in 2019 and 2018.

Depreciation expense amounted to ₱24.4 million, ₱29.4 million and ₱2.0 million in 2019, 2018 and 2017, respectively (see Notes 11, 19 and 20). The aggregate net book values of property and equipment amounted to ₱9.0 million and ₱64.9 million as at December 31, 2019 and 2018, respectively
(see Note 11).

*Estimating Impairment of Property and Equipment, Investment Properties and Other Noncurrent Assets (except Deposit)*
The Group assesses impairment on prepaid expenses and other current assets, property and equipment, investment properties and other noncurrent assets (except deposit) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the net selling price.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The aggregate carrying amount of nonfinancial assets amounted to ₱382.6 million and ₱439.1 million as at December 31, 2019 and 2018, respectively (see Notes 11, 12 and 14).

*Assessing Recoverability of Deferred Tax Assets*
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group has gross deferred tax assets amounting to ₱1.2 million and ₱7.1 million as at December 31, 2019 and 2018, respectively (see Note 25).

## 4. Cash and Cash Equivalents

| | 2019 | 2018 |
|---|---|---|
| Cash on hand | **₱30,000** | ₱60,000 |
| Cash with banks | **70,737,779** | 23,493,967 |
| Short-term deposits | **20,040,000** | 20,023,764 |
| | **₱90,807,779** | ₱43,577,731 |

Cash with banks earn interest at their respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

In 2019, 2018 and 2017, interest income from cash with banks and short-term deposits, net of final tax, amounted to ₱0.3 million, ₱0.7 million, and ₱0.7 million, respectively (see Note 21). Accrued interest receivable as at December 31, 2019 and 2018 amounted to ₱0.07 million and ₱0.37 million, respectively (see Note 5).

## 5. Trade and Other Receivables

| | 2019 | 2018 |
|---|---|---|
| Trade | **₱28,040,164** | ₱24,583,746 |
| Advances to: | | |
| MRT Dev't. Corp. (MRTDC; see Note 16) | **133,726,865** | 147,937,865 |
| Advances to related parties (see Note 23) | **47,017,356** | 34,117,356 |
| Accrued interest receivable (see Notes 4 and 8) | **10,849,599** | 8,398,983 |
| Others | **8,621,915** | 8,956,546 |
| | **228,255,899** | 223,994,496 |
| Less allowance for impairment losses | **25,536,224** | 20,436,224 |
| | **₱202,719,675** | ₱203,558,272 |

Trade receivables are noninterest-bearing and generally have a thirty (30) day term.

Others include advances to officers and employees which are non-interest bearing and are collectible within 12 months.

The receivables of the Group consist of individually significant accounts that were subjected to specific impairment approach. Others that were not individually significant for which no specific impairment were subjected to collective assessment.

Set out below is the movement in the allowance for expected credit losses of receivables:

| | 2019 | 2018 |
|---|---|---|
| Balances at beginning of year | **₱20,436,224** | ₱17,080,061 |
| Provision for expected credit loss (see Note 20) | **5,100,000** | 3,356,163 |
| Balances at end of year | **₱25,536,224** | ₱20,436,224 |

## 6. Financial Assets at FVTPL

| | 2019 | 2018 |
|---|---|---|
| Aboitiz Power Corporation | **₱3,659,400** | ₱3,755,700 |
| Shang Properties, Inc. | **3,436,800** | 3,350,880 |
| Semirara Mining & Power Corporation | **2,794,000** | 2,927,350 |
| Aboitiz Equity Ventures, Inc. | **1,854,000** | 1,980,000 |
| Chelsea Logistics Holdings Corp. | **220,000** | 258,400 |
| | **₱11,964,200** | ₱12,272,330 |

Movements in the financial assets at FVTPL as at December 31, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Balances at beginning of year | **₱12,272,330** | ₱3,712,820 |
| Additions | **–** | 9,978,987 |
| Changes in fair value of financial assets at FVTPL | **(308,130)** | (1,419,477) |
| Balances at end of year | **₱11,964,200** | ₱12,272,330 |

Dividend income from financial assets at FVTPL amounted to ₱0.6 million, ₱0.3 million and nil in 2019, 2018 and 2017, respectively.

## 7. Prepaid Expenses and Other Current Assets

| | 2019 | 2018 |
|---|---|---|
| CWTs | **₱7,964,783** | ₱8,187,510 |
| Advances to suppliers | **6,412,423** | 6,041,058 |
| Prepaid expenses | **266,973** | 491,816 |
| Input VAT | **–** | 126,277 |
| | **₱14,644,179** | ₱14,846,661 |

Advances to suppliers consist of payments made for future purchases of goods and services.

## 8. Notes Receivable

Convertible Note

On June 9, 2015, APHC entered into an unsecured loan agreement with ACMDC amounting to ₱700.0 million, which bears a fixed interest rate of 4.0%, payable semi-annually in arrears. The loan will mature on June 9, 2018. The loan contains multiple embedded derivatives such as conversion, call and put options. The conversion option pertains to the right of the Group to convert the loan into common shares of ACMDC at the conversion price of ₱8.29 per share at any time beginning July 21, 2015 until June 2, 2018. The call option pertains to the right of ACMDC to early redeem the loan, in whole but not in part, on or after December 9, 2016 subject to the conditions stated in the loan agreement. On the other hand, the put option pertains to the right of the Group to require ACMDC to redeem all or some of the loan at their prepayment amount on the date fixed for prepayment beginning June 9, 2016.

In 2017, ACMDC pre-terminated the loan agreement and paid the outstanding balance of ₱700.0 million. Interest earned from this note in 2017 amounted to ₱6.0 million.

Fixed-interest Note

*Carmen Copper Corporation (CCC)*
On March 21, 2017, APHC entered into an unsecured loan agreement with Carmen Copper Corporation (CCC) amounting to $13.4 million (₱672.5 million), which bears an interest rate of 5.0% per annum for the first two (2) years and will increase by 1.0% in succeeding years until it reached its maturity. The loan will mature on March 21, 2024. CCC made principal repayment amounting to $1.0 million (₱48.7 million) in 2019. Interest earned amounted to $0.7 million (₱34.6 million), $0.6 million (₱30.4 million) and $0.5 million (₱24.8 million) in 2019, 2018 and 2017, respectively (see Note 21). Accrued interest receivable amounted to $17,435 (₱0.9 million) and $15,866 (₱0.8 million) as at December 31, 2019 and 2018, respectively (see Note 5). The outstanding note receivable from CCC amounted to $10.5 million (₱529.7 million) and $11.4 million (₱600.7 million) as at December 31, 2019 and 2018, respectively.

*Alakor Corporation (Alakor)*
On October 29, 2015, APHC signed an unsecured loan facility with Alakor for a total commitment of ₱60.0 million. The loan shall earn 4.25% fixed interest per annum for a term of two (2) years. The first drawdown amounting to ₱15.0 million was made on the same date. Additional drawdowns were made amounting to ₱15.0 million and ₱35.6 million in 2017 and 2016, respectively. In 2017, Alakor paid ₱5.6 million and renewed the facility for another term of two (2) years at a fixed interest rate of 4.25%. As at December 31, 2018, loans receivable from Alakor was reclassified to current assets.

In December 12, 2019, the parties renewed the facility for another term of two (2) years at a fixed interest rate of 4.25%. The outstanding note receivable from Alakor amounted to ₱60.0 million as at December 31, 2019 and 2018.

Interest earned amounted to ₱2.7 million, ₱2.7 million and ₱2.5 million in 2019, 2018 and 2017, respectively (see Note 21). Accrued interest receivable as at December 31, 2019 and 2018 amounted to ₱9.9 million and ₱7.2 million, respectively (see Note 5).

## 9. Financial Assets at FVOCI

Investments in unquoted financial assets pertain to investment in private local companies and have no fixed maturity date or coupon rate. These amounted to ₱2.2 million as at December 31, 2019 and 2018.

Movements in the financial assets at FVOCI as at December 31, 2019 and 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| Balances at beginning of year | **₱2,175,600** | ₱8,583,953 |
| Effect of adoption of PFRS 9 | **–** | (2,164,853) |
| Balances at beginning of year (as restated) | **2,175,600** | 6,419,100 |
| Changes in fair value of financial assets at FVOCI | **539,862** | 7,500 |
| Disposal | **–** | (4,251,000) |
| Balances at end of year | **₱2,715,462** | ₱2,175,600 |

Movements in the fair value changes of financial assets at FVOCI in 2019 and 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| Balances at beginning of year | **(₱2,157,353)** | ₱163,500 |
| Effect of adoption of PFRS 9 | **–** | (2,164,853) |
| Balance at January 1 (as restated) | **(2,157,353)** | (2,001,353) |
| Changes in fair value of financial assets at FVOCI | **539,862** | 7,500 |
| Transfer of valuation gain to retained earnings upon disposal of financial assets at FVOCI | **–** | (163,500) |
| Balances at end of year | **(₱1,617,491)** | (₱2,157,353) |

In August 2018, investment in quoted financial assets was sold at a loss of ₱199,914. Investments in quoted financial assets pertain to investments in preferred shares of a local public group, San Miguel Corp. The fair value of the quoted instruments is based on the exit market price as of reporting date.

No impairment loss was recognized in 2019, 2018 and 2017 on the Parent Company's unquoted equity instruments.

Dividend income recognized in 2019, 2018 and 2017 related to financial assets at FVOCI amounted to nil, ₱0.3 million and ₱0.4 million, respectively.

## 10. Investments in Associates

| | **2019** | 2018 |
|---|---|---|
| Acquisition cost: | | |
| Balances at beginning of year | **₱8,966,624,920** | ₱8,964,918,985 |
| Additions during the year | **–** | 1,705,935 |
| Balances at end of year | **8,966,624,920** | 8,966,624,920 |
| Accumulated equity in net loss: | | |
| Balances at beginning of year | **(1,061,654,926)** | (464,049,586) |
| Equity in net losses during the year | **(195,640,602)** | (597,605,340) |
| Balances at end of year | **(1,257,295,528)** | (1,061,654,926) |
| Accumulated equity share in OCI: | | |
| Balances at beginning of year | **482,233,162** | 213,976,700 |
| Equity share in other comprehensive income (loss) during the year | **(200,032,318)** | 268,256,462 |
| Balances at end of year | **282,200,844** | 482,233,162 |
| | **₱7,991,530,236** | ₱8,387,203,156 |

The carrying values of investments in associates are as follows:

| | Percentage of Ownership | | Amount | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| ACMDC | **28.64%** | 28.64% | **₱5,017,580,445** | ₱5,377,753,934 |
| The Philodrill Corporation (TPC) | **34.38%** | 34.38% | **2,462,853,037** | 2,486,259,108 |
| United Paragon Mining Corporation (UPMC) | **25.69%** | 25.69% | **511,096,754** | 523,190,114 |
| | | | **₱7,991,530,236** | ₱8,387,203,156 |

Dividends received from associates are recorded as dividend income in the consolidated statements of comprehensive income. The principal place of business and country of incorporation of the Parent Company's associates is in the Philippines.

The fair value measurement hierarchy for investment in associates as at December 31, 2019 and 2018 are as follows:

**2019**

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| **ACMDC** | **₱2,548,926,980** | **₱–** | **₱–** | **₱2,548,926,980** |
| **TPC** | **720,978,822** | **–** | **–** | **720,978,822** |
| **UPMC** | **369,155,289** | **–** | **–** | **369,155,289** |

2018

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| ACMDC | ₱2,610,101,228 | ₱– | ₱– | ₱2,610,101,228 |
| TPC | 857,619,923 | – | – | 857,619,923 |
| UPMC | 369,155,289 | – | – | 369,155,289 |

There were no transfers between Level 1 to Level 2 in 2019 and 2018.

Investment in ACMDC
ACMDC is primarily engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver) and magnetite iron ore concentrate.

In 2017, APHC subscribed to an additional 845 million shares of ACMDC at ₱4.3842 per share and paid the corresponding paid-up capital of ₱926.2 million. Subscription payable related to this acquisition as at December 31, 2019 and 2018 amounted to ₱2,778.5 million. As a result, the Group's percentage of ownership increased from 8.36% in 2016 to 28.64% in 2017.

In October 2019, APHC received a notice from ACMDC through a memorandum addressed to all subscribers that the latter will not make a call in 2019 and 2020 in relation to its subscription to ACMDC's shares of stock. This is in accordance with the board resolution issued by ACMDC on the same date. Accordingly, APHC reclassified its subscriptions payable which amounted to ₱2,694.9 million, net of discount, to noncurrent liability in 2019. This resulted to a recognition of day 1 gain which amounted to ₱97.3 million and accretion of discount on subscription payable which amounted to ₱13.7 million in 2019.

*Key Assumptions Used in Value-in-Use Calculations and Sensitivity to Changes in Assumptions*

The Group performed its annual impairment test as at December 31, 2019 and 2018.

The recoverable amount of investment in associate has been determined based on a DCF calculation using cash flow projections from financial budgets approved by senior management.

The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rate applied to the cash flow projections as at December 31, 2019 and 2018 are 8.60% and 9.93%, respectively. As a result of this analysis, management concluded that the investment in associate is not impaired.

The calculation of DCF is most sensitive to the following assumptions:

a. Expected life of the project
ACMDC projected a 31-year expected life of the project, which is based on the remaining mineable ore reserves of the project and their capacity to mine those remaining mineable ore reserves. The remaining mineable ore reserves are based on Philippine Mineral Reporting Code.

b. Future Production Levels and Costs
Future production levels and costs include direct and indirect costs used to concentrate the mine ore reserves for the remaining life of the mine.

c. Contribution to the Government
ACMDC assumes the prevailing tax rate imposed on an entity that is engaged in mining operations. ACMDC is affected by the newly enacted tax reform law.

d. Copper Prices
ACMDC considers the effect of commodity price changes. ACMDC considered the possible effect of the changes in the price of copper as it relates to the revenues that may be generated by ACMDC and the attainment of the cash flow projections. ACMDC used the data from the Wood Mackenzie Limited, a global mining and metals research and consultancy firm. The price is the function of a number of factors, which includes, among others, copper grade, moisture content and factor rate.

   Generally, a higher grade and lower moisture content would yield higher recoverable amount otherwise, this may indicate impairment. ACMDC expects that the overall price of copper concentrate ore will improve throughout the life of mine.

e. Pre-tax Discount Rate
Discount rate represents the current market assessment of the risks specific to the investment in associates taking into consideration the time value of money and the individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of ACMDC and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by ACMDC's investors. The cost of debt is based on the interest-bearing borrowings ACMDC is obliged to service. Specific risk is incorporated by applying individual beta factors and are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used are 8.60% and 9.93% as at December 31, 2019 and 2018, respectively.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

Investment in TPC
TPC is primarily engaged in petroleum and mineral exploration and development.

In 2018, the Group subscribed to an additional 130.48 million shares of TPC at ₱0.013 per share and paid the corresponding paid-up capital of ₱1.7 million. As a result, the Group's percentage of ownership increased from 34.32% in 2017 to 34.38% in 2018.

In relation to the TPC's acquisition of Vulcan Industrial & Mining Corporation's (VIMC) interest in Octon block, TPC is contingently liable for $500,000 which is payable within sixty (60) days from the date of commercial discovery in the contract areas.

The Group's subscription payable to TPC as at December 31, 2019 and 2018 amounted to ₱2.1 million, which is due upon demand of TPC.

The Group has no outstanding capital commitments related to the investments in TPC as at December 31, 2019 and 2018.

*Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions*

The Group performed its annual impairment test as at December 31, 2019 and 2018.

The projected cash flows have been developed to reflect the expected oil reserve to be extracted over the life of the contract/project adjusted by the effects of other factors such as inflation rate. The pre-tax discount rates used are 9.10% and 12.00% as at December 31, 2019 and 2018, respectively. As a result of this analysis, management concluded that the investment in associate is not impaired.

The calculation of DCF is most sensitive to the following assumptions:

a. Expected life of the project
   TPC projected an 15-year exploration project covering various service contracts for oil exploration, which is based on the expected oil reserves of the project and their capacity to extract the reserve.

   The oil reserve estimates are based on the operations report as a result of the ongoing research and drilling activities.

b. Future Production Levels and Costs
   Future production levels and costs include direct and indirect costs that will be incurred to extract oil over the life of the project.

c. Contribution to the Government
   TPC assumes the prevailing tax rate imposed on an entity that is engaged in oil exploration. TPC is affected by the newly enacted tax reform law.

d. Oil Prices
   TPC considers the effect of commodity price changes. TPC considered the possible effect of the changes in the price of oil as it relates to the revenues that may be generated by TPC and the attainment of the cash flow projections.

e. Pre-tax Discount Rate
   Discount rate represents the current market assessment of the risks specific to the investment in associates underlying assets taking into consideration the time value of money and the individual

risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of TPC and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by TPC's investors. The cost of debt is based on the interest-bearing borrowings TPC is obliged to service. Specific risk is incorporated by applying individual beta factors and are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used are 9.10% and 12.00% as at December 31, 2019 and 2018, respectively.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

<u>Investment in UPMC</u>
UPMC's main business is the exploration, development, exploitation, recovery and sale of gold. UPMC was previously held under care and maintenance. As at December 31, 2019, UPMC is under exploration stage as it has already an exploration permit for the Longos Mine.

*Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions*

The Group performed an impairment test in 2019 and 2018.

The recoverable amount of investment in associate has been determined based on a DCF calculation using cash flow projections from the project feasibility study.

The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rate applied to the cash flow projections as at December 31, 2019 and 2018 are 15.80% and 11.95% respectively. As a result of this analysis, management concluded that property, plant and equipment is not impaired.

The calculation of DCF is most sensitive to the following assumptions:

a. Future Production Levels and Costs
Future production levels and costs include direct and indirect costs used to concentrate the mined ore reserves for the remaining life of the mine.

b. Gold Prices
UPMC considers the effect of commodity price changes. UPMC considered the possible effect of the changes in the price of gold as it relates to the revenues that may be generated by UPMC and the attainment of the cash flow projections. UPMC used the data from the project feasibility study and was compared against externally published data.

c. Pre-tax Discount Rate
Discount rate represents the current market assessment of the risks specific to UPMC, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of UPMC and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by UPMC's investors. The cost of debt is based on the risk free market rate available in the market. Specific risk is incorporated by applying individual beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific

amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used are 15.8% and 11.95% as at December 31, 2019 and 2018, respectively.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the investment in associates underlying assets to materially exceed its recoverable amount.

The summarized financial information of the associates as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 are as follows (in thousands):

ACMDC

| | **2019** | 2018 |
|---|---|---|
| Current assets | **₱4,982,520** | ₱7,251,675 |
| Noncurrent assets: | | |
| Goodwill | **19,026,119** | 19,026,119 |
| Other noncurrent assets | **51,608,693** | 53,499,180 |
| Current liabilities | **14,265,733** | 16,101,445 |
| Noncurrent liabilities | **26,996,437** | 28,062,778 |
| Equity | **34,355,162** | 35,612,751 |
| Proportion of Group's ownership | **28.64%** | 28.64% |
| Group's share in net identifiable assets excluding goodwill | **4,390,237** | 4,750,411 |
| Goodwill | **627,343** | 627,343 |
| Carrying amount of investment | **5,017,580** | 5,377,754 |

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Revenue | **₱16,162,945** | ₱13,295,913 | ₱11,070,571 |
| Net loss | **(565,186)** | (1,719,662) | (1,967,948) |
| Other comprehensive income (loss) | **(692,403)** | 941,210 | 94,386 |
| Total comprehensive loss | **(1,257,589)** | (778,452) | (1,873,562) |
| Group's share in net loss | **(161,869)** | (492,511) | (197,779) |
| Dividends received from ACMDC | – | – | – |

TPC

| | **2019** | 2018 |
|---|---|---|
| Current assets | **₱693,736** | ₱918,115 |
| Noncurrent assets | **2,660,844** | 2,562,218 |
| Current liabilities | **79,569** | 149,872 |
| Noncurrent liabilities | **43,721** | 31,089 |
| Equity | **3,231,290** | 3,299,372 |
| Proportion of Group's ownership | **34.38%** | 34.38% |
| Group's share in equity of associate | **1,110,918** | 1,134,324 |
| Goodwill and other adjustments | **1,351,935** | 1,351,935 |
| Carrying amount of investment | **2,462,853** | 2,486,259 |

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Revenue | **₱246,488** | ₱382,676 | ₱388,202 |
| Net loss | **(63,218)** | (261,957) | (6,367) |
| Other comprehensive income (loss) | **(4,862)** | (4,011) | 6,451 |
| Total comprehensive income (loss) | **(68,080)** | (265,968) | 84 |
| Group's share in net loss | **(21,734)** | (89,917) | (2,185) |
| Dividends received from TPC | **–** | – | – |

UPMC

| | 2019 | 2018 |
|---|---|---|
| Current assets | **₱24,104** | ₱34,278 |
| Noncurrent assets | **1,101,603** | 1,082,127 |
| Current liabilities | **1,168,672** | 1,112,195 |
| Noncurrent liabilities | **988** | 1,088 |
| Equity | **(43,953)** | 3,104 |
| Proportion of Group's ownership | **25.69%** | 25.69% |
| Group's share in equity of associate | **(11,292)** | 802 |
| Goodwill | **522,389** | 522,388 |
| Carrying amount of investment | **511,097** | 523,190 |

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Revenue | **₱–** | ₱– | ₱– |
| Net loss | **(47,617)** | (59,081) | (51,695) |
| Other comprehensive loss | **(220)** | (279) | (200) |
| Total comprehensive loss | **(47,837)** | (58,802) | (51,495) |
| Group's share in net loss | **(12,232)** | (15,178) | (13,281) |
| Dividends received from UPMC | **–** | – | – |

The Group has no outstanding contingent liabilities and capital commitments related to the investments in ACMDC and UPMC as at December 31, 2019 and 2018. The associates have no significant restrictions on its ability to transfer fund to the Group in the form of cash dividends, or repayment of loans or advances.

## 11. Property and Equipment

2019

| | Condominium Units and Improvements | Transportation Equipment | Furniture, Fixtures and Office Equipment | Machinery and Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balances at beginning of year | ₱22,091,617 | ₱6,323,722 | ₱1,086,094 | ₱134,636,255 | ₱– | ₱164,137,688 |
| Additions | – | – | 12,969 | 979,429 | – | 992,398 |
| Disposals | – | (1,852,651) | (171,841) | (81,420,036) | – | (83,444,528) |
| Balances at end of year | 22,091,617 | 4,471,071 | 927,222 | 54,195,648 | – | 81,685,558 |
| **Accumulated depreciation, depletion and amortization:** | | | | | | |
| Balances at beginning of year | 13,476,581 | 3,076,844 | 972,226 | 81,729,931 | – | 99,255,582 |
| Depreciation, depletion and amortization (Notes 19 and 20) | 1,105,215 | 894,212 | 117,515 | 22,308,096 | – | 24,425,038 |
| Disposals | – | (964,574) | (197,095) | (49,842,379) | – | (51,004,048) |
| Balances at end of year | 14,581,796 | 3,006,482 | 892,646 | 54,195,648 | – | 72,676,572 |
| **Net book values** | ₱7,509,821 | ₱1,464,589 | ₱34,576 | ₱– | ₱– | ₱9,008,986 |

2018

| | Condominium Units and Improvements | Transportation Equipment | Furniture, Fixtures and Office Equipment | Machinery and Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balances at beginning of year | ₱22,091,617 | ₱5,632,455 | ₱892,022 | ₱55,103,561 | ₱65,797,798 | ₱149,517,453 |
| Additions | – | 171,267 | – | 14,568,968 | – | 14,740,235 |
| Disposals | – | (120,000) | – | – | – | (120,000) |
| Reclassifications | – | 640,000 | 194,072 | 64,963,726 | (65,797,798) | – |
| Balances at end of year | 22,091,617 | 6,323,722 | 1,086,094 | 134,636,255 | – | 164,137,688 |
| **Accumulated depreciation, depletion and amortization:** | | | | | | |
| Balances at beginning of year | 12,371,370 | 1,637,099 | 849,055 | 55,103,561 | – | 69,961,085 |
| Depreciation, depletion and amortization (Notes 19 and 20) | 1,105,211 | 1,559,745 | 123,171 | 26,626,370 | – | 29,414,497 |
| Disposals | – | (120,000) | – | – | – | (120,000) |
| Balances at end of year | 13,476,581 | 3,076,844 | 972,226 | 81,729,931 | – | 99,255,582 |
| **Net book values** | ₱8,615,036 | ₱3,246,878 | ₱113,868 | ₱52,906,324 | ₱– | ₱64,882,106 |

The Group disposed property and equipment with net book values to ₱32.4 million, nil and ₱38.5 million in 2019, 2018 and 2017, respectively. Gain on sale of property and equipment amounted to ₱30.0 million, ₱70,000 and nil in 2019, 2018 and 2017, respectively. The cost of fully depreciated property and equipment that is still used in operations amounted to ₱1.2 million and ₱1.1 million as at December 31, 2019 and 2018, respectively.

## 12. Investment Properties

Investment property represents parcels of land which are carried at cost amounted to ₱305.6 million as at December 31, 2019 and 2018. The fair market value of investment properties is determined based on Level 3 inputs using the Sales Comparison Approach amounted to ₱306.5 million and ₱309.9 million as at December 31, 2019 and 2018, respectively (see Note 29).

Cost incurred in maintaining these investment properties amounted to ₱2.7 million, ₱2.7 million, and ₱2.2 million in 2019, 2018 and 2017, respectively.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop its investment properties.

## 13. Deferred Exploration Costs

The Group is a participant in certain SC, MPSA, and APSA with the Philippine Government, trough the Department of Energy (DOE) or Mines and Geosciences Bureau for the exploration, development and exploitation of the contract areas situated in Northwest Palawan, Sulu Sea, Mindoro Island, Surigao City, Bataan and Batangas.

The aforementioned SCs, MPSAs and APSA provide for minimum work expenditure obligations and are covered by operating agreements which set forth the participating interests, rights, and obligations of the participants to the contracts. The deferred exploration costs represent the Group's share in the jointly controlled assets of the aforementioned SCs, MPSAs, and APSA. The full recovery of the deferred exploration costs incurred in connection with the Group's participation in the exploration of the contract area is dependent upon the discovery of mineral resources from the respective contract areas and the success of the future development.

The percentage of participation and the balances of the Group's deferred exploration costs as at December 31, 2019 and 2018 are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Percentage of Participation** | **Amount** | Percentage of Participation | Amount |
| *Parent Company* | | | | |
| SC-6 (Offshore Northwest Palawan) | | | | |
| Block A (Octon) | 11.11 | **₱61,636,922** | 11.11 | ₱61,051,718 |
| Saddle Rock Prospect | 11.11 | **7,325,361** | 11.11 | 7,325,361 |
| Esperanza Prospect | 11.11 | **823,118** | 11.11 | 823,118 |
| SC-41 (Sulu Sea) | 1.68 | **48,266,249** | 1.68 | 48,266,249 |
| SC-53 (Onshore Mindoro) | 5.00 | **31,701,453** | 5.00 | 31,430,961 |
| SWAN Block (Northwest Palawan) | | | | |
| SC-39 (Busuanga/Calauit) | 33.58 | **15,891,445** | 33.58 | 15,891,445 |
| GSEC-86 (Northwest Malampaya) | 33.58 | **10,345,190** | 33.58 | 10,345,190 |
| GSEC-83 (North Calamian Project) | 33.58 | **533,923** | 33.58 | 533,923 |
| SC-14 (Northwest Palawan, Tara Block, and Libro) | 2.50 | **5,252,274** | 2.50 | 5,252,274 |
| *VMC* | | | | |
| MPSA 003-90-X (Comet Nickel-Chromite Project) | | **25,765,432** | | 25,765,432 |

*(Forward)*

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Percentage of Participation** | **Amount** | Percentage of Participation | Amount |
| APSA 000328-III and ISAG III-02-08 (Bataan Aggregates Project) | | **₱1,748,121** | | ₱1,748,121 |
| MPSA 091-97-IV (Batangas Aggregates Project) | | **803,946** | | 803,946 |
| | | **210,093,434** | | 209,237,738 |
| Less allowance for impairment of deferred exploration costs | | **33,569,773** | | 33,569,773 |
| | | **₱176,523,661** | | ₱175,667,965 |

Movements in the deferred exploration cost as at December 31, 2019 and 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| Balances at January 1 | **₱175,667,965** | ₱208,611,166 |
| Additions | **855,696** | 626,572 |
| Less provision for impairment of deferred exploration costs | **–** | 33,569,773 |
| Balances at December 31 | **₱176,523,661** | ₱175,667,965 |

Set out below is the movement in the provision for impairment of deferred exploration cost:

| | **2019** | 2018 |
|---|---|---|
| Balances at beginning of year | **₱33,569,773** | ₱– |
| Provision for impairment loss | **–** | 33,569,773 |
| Balances at end of year | **₱33,569,773** | ₱33,569,773 |

*Parent Company*

SC-6 Block A (Octon)

The DOE approved in January 2019 the proposed Octon Block WP & B for CY 2019. The proposed activities include seismic attribute study on the northern block of SC 6A aimed at maturing a potential drilling location for an exploratory well, and contingent programs of preparing a preliminary well design and proposal as well as scoping project economics. Philodrill, as Operator, aims to be able to identify a possible well location at the central fault of the West Malajon-Salvacion-Saddle Rock anticlinorium within the current program.

The SC6A Joint Venture is currently evaluating the offer of Tamarind Resources to undertake high-level technical and economic studies on the Octon discovery. Following preliminary discussions. Tamarind submitted a work pan to activities anchored on the formulation of a Field Development Plan (FDP) for the Octon discovery which the JV adopted and submitted to the DOE for approval as supplemental CAPEX to the DOE-approved 2019 SC 6A WP&B. Eventually, a draft farm-in agreement over a portion of the southern area of SC 6 covering the Octon field discovery was crafted and is currently being negotiated. As envisaged, Tamarind gets to earn the maximum 58.88% participating interest in the Octon Field sub-block. Consortium partner PetroEnergy Resources has been designated to assist in the negotiations regarding the Tamarind farm-in.

While these negotiations are ongoing, Philodrill continued evaluating the northern block of SC 6A to establish a better understanding of the reservoir distribution of the Galoc reservoir sands to be able identify and propose a drilling location to test/appraise the Central Fault Block of the Malajon-Salvacion-Saddle Rock structure. At the same time, the Operator continued its parallel in-house work on the Octon Field to validate Tamarind's evaluation of the Octon discovery in the southern block.

Moving forward, Philodrill submitted and secured the DOE's approval of the 2020 WP&B for SC 6A which eill progress the technical evaluation works in the northern and southern sectors of the SC with the end view to identify and propose to the JV consortium a final exploration drilling location in the Central Fault Block and to identify additional resources and appraisal opportunity on the Octon discovery and surrounding areas.

Sulu Sea (formerly Service Contract 41)
The DOE launched the Philippine Conventional Energy Contracting Program (PCECP) in November 2018. Philodrill and bid application partner PXP Energy submitted in August 15, 2019 a joint bid over Area 7 in Sulu Sea, one of the 14 pre-determined areas on offer. Area 7 was formerly covered by Service Contract 41 in which both Philodrill and PXP Energy were joint venture participants. During the opening of bids, the joint ventrure Philodrill/PXP application was assessed to have successfully satisfied the criteria set for the contracting round. This was confirmed in writing by the DOE in September when they accepted the bid for further substantive legal, financial and technical evaluation.

PNOC –Exploration Corporation (PNOC-EC) expressed interest in exercising its option to take in 10% participating interest once a new service contract is awarded over the area. Similarly, Oriental Petroleum also expressed its interest in joining the Joint Venture for Area 7. Philodrill had advised these companies to wait until after it has completed evaluation of the application so as not to undermine the PCECP process.

In November 2019, the DOE advised that processing of bid applications and awarding of new service contracts is being held in abeyance specifically in areas under the jurisdiction of the Bangsamaro Autonomous Region in Muslim Mindanao (BARMM) until an Executive Order (EO), currently being drafted by the DOE, is signed by the President. The said EO clarifies the extent of BARMM's participation and entitlements from energy contracts within BARMM.

The Company has an existing agreement with TPC to acquire a portion of the interest that may be awarded to TPC in the area.

SC-53 (Onshore Mindoro)
Block operator Mindoro-Palawan Oil & Gas Inc. (MPOGI) had not provided updates as to their plans for the block, specifically the activities to execute the Joint Venture's commitments including the drilling of Progreso-2. In 2018, the DOE already instructed MPOGI to secure a Certificate of Pre-Condition from the National Commission on Indigenous People (NCIP) which will enable the lifting of the moratorium on activities, thus allowing the conduct of drilling activities in SC 53.

For its part, Philodrill assisted Gas2Grid, the operator of SC 44 in onshore Cebu, which earlier indicated interest on the Progreso Project through possible drill-for-equity with the Onshore Mindoro joint venture. While MPOGI did not provide details of their negotiations with Gas2Grid, the operator disclosed that they were also entertaining expression of interest by another group for possible farm-in to Onshore Mindoro Block.

In a letter to MPOGI dated June 14, 2019, the DOE terminated SC 53 due to the operator's continued failure to comply with their reportorial obligations. This came as a big surprise as the non-operator partners (Philodrill, Anglo Philippine Holdings and Basic Energy) as they had all have been demanding MPOGI, to rectify the operator's operational deficiency. Neither the operator nor the DOE notified the other JV partners of the contract termination, as the partners only came to know of the decision during a verbal inquiry with DOE on July 4, 2019.

Immediately a Motion for Reconsideration (MR) on the termination of the SC was submitted to the DOE on July 8, 2019 and during an audience with the DOE on July 12, 2019, the Non-Operator partners manifested to reconstitute the Joint Venture and agreed to continue the service contract and deliver the SC53 commitments. The DOE, up until now, is still evaluating the merits of the MR.

While the MR was pending with the DOE, Philodrill assuming the role of de facto operator coordinated with Newrest SOS (NSOS) for the settlement of the outstanding JV obligations that MPOGI failed to settle with NSOS, principally rental and lease of spaces at the Mabini ESB where long-lead items (LLIs) intended for the Progreso drilling project are currently stored.

Upon recommendation of NSOS, Philodrill also negotiated and eventually engaged third-party contractor ACE Tubular Service, Ltd which did an inspection and assessment of the current condition of the LLIs for future use and/or disposal or sale. Results of the inspection work were presented to the partners in December 2019. Despite settlement of the storage fees dues NSOS, the Joint Venture realized that the continued storage of the LLIs will incur costs while waiting for the DOE decision on the still pending MR. Philodrill then sought and was granted approval by the DOE for the sale of the inventory to Felpet Trading and Materials Recovery Services which was selected through competitive bidding.

<u>SWAN BLOCK (Deepwater Northwest Palawan)</u>
Philodrill continues to evaluate all available exploration data on the deep-water area offshore NW Palawan, particularly in areas previously covered by the SWAN Block. This is in line with the planned participation of Philodrill in the farm-in program of PNOC-Exploration Corporation in Service Contract 57 and possible participation in exploration venture on other deep-water blocks in the West Philippine Sea region. An initial meeting with PNOC-EC was held in September last year for the initial review of technical data in SC 57 under a Confidentiality Agreement.

Additional information required by Item 1 (a) also contained in Note 10 to the Group's 2019 Audited Consolidated Financial Statements.

<u>SC-14 Tara Block</u>
Plug and Abandonment and Decommissioning Activities

Philodrill continued and completed the suspended plug and abandonment (P&A) program for the Tara South-1 and Libro-1 wells in compliance with government regulations and good industry practices. In 2014, a program for the P&A of these wells together with Pandan-I, were carried out. However, under this campaign only the P&A of the Pandan-I well was successful and similar attempts on the Tara South-I and Libro wells failed. This year, Philodrill with the approval of the joint venture continued the remedial P&A of these two wells under a new program and on behalf of the SC 14B and SC 14 Tara Block consortia engaged the services of contractor CET Consultancy Limited for the project. The remedial P&A of the two wells were successfully completed in May 2018 below budget and on schedule. Outstanding payable pertaining to the estimated cost of plug and abandonment of Libro-1, Tara South-1 wells, and 9 wells from Nido, Matinloc and North Matinloc fields amounted to ₱467,016 as at December 31, 2019 and 2018.

*VMC*

<u>MPSA 003-90-X (Comet Nickel-Chromite Project)</u>
The VMC and Comet signed a Memorandum of Agreement (MOA) on December 4, 2007, to process, occupy, use and control explore, develop, conduct mining, mine, process and market any product from the MPSA 003-90-X area which was registered with the DENR-Region VI at Surigao City on January 22, 2008.

On March 25, 2010, the Mines and Geoscience Bureau (MGB) responded to Comet's concern, regarding the application for renewal of the MPSA in subject, stating that the same was already approved through a letter dated November 20, 2009. However, Comet responded through a letter to MGB on April 7, 2010 objecting to the further evaluation and eventual approval of the MPSA. On May 13, 2014, the Group sent a letter with intent to renew. The declaration of mining project feasibility for nickel was approved on September 16, 2014.

APSA 000328-III and ISAG III-02-08 (Bataan Aggregates Project)
The Bataan Aggregates Project is located in Barangay Nagbalayong, Municipality of Morong, Bataan. The Aggregates Project Sharing Agreement No. 000328-III was filed on January 8, 2001 with an area of 138.0397 hectares while the ISAG Permit No. III-02-08 with an area of 12.8 hectares was granted on December 17, 2008.

MPSA No. 091-97-IV (Batangas Aggregates Project)
The Batangas Aggregates Project is located in Barangay San Miguel, Batangas City, Batangas. It is covered by MPSA No. 091-97-IV granted on November 20, 1997 with an area of 332.3980 hectares.

The recovery of these deferred exploration costs incurred in connection with the Group's participation in the acquisition and mineral exploration activities depends upon the discovery of commercial quantities or the success of exploration activities and future development of the corresponding mining properties.

Management believes that no future value will be collected in the Comet Nickel-Chromite project, Bataan Aggregates Project and Batangas Aggregates Project. In 2018, the Group provided allowance for impairment of deferred exploration costs amounting to ₱28.3 million.

## 14. Other Noncurrent Assets

| | **2019** | 2018 |
|---|---|---|
| Advances for future land acquisitions | **₱65,855,269** | ₱62,173,069 |
| Advance royalties | **14,336,742** | 19,436,742 |
| Deposit | **3,309,844** | 3,309,844 |
| Input VAT | **2,155,932** | 1,899,136 |
| Advances to suppliers | **63,422** | 956,191 |
| Leasehold rights | **–** | 174,114 |
| | **85,721,209** | 87,949,096 |
| Less provision for impairment losses | **14,400,164** | 15,990,462 |
| | **₱71,321,045** | ₱71,958,634 |

Advance royalties pertain to advances made to Comet Mining Exploration Corporation and Asencio Pinzon Aggregates Corporation, owner of the mining rights in Loreto, Dinagat Islands and Rodriguez, Rizal, respectively, amounting to ₱11.5 million. The VMC conducts exploration activities in those locations. It also includes advances made to Vinc Vita Mining Corporation (VVMC) amounting to ₱ 2.9 million which pertains to the acknowledgment of the VMC to develop and exploit the area in Bolinao, Pangasinan upon securing the necessary application and exploration permit by VVMC. Advance royalties amounting to ₱14.4 million have been fully provided with allowance for impairment losses as at December 31, 2019 and 2018 since the Group assessed that these are no longer recoverable.

Deposit pertains to the cash bond paid to Department of Agrarian Reform (DAR) as required by DAR Administrative Order No. 01-99 in application for the conversion of its land use from idle to industrial. On March 8, 2017, TVRI paid cash bond equivalent to 2.5% of the total zonal value of the land amounting to ₱1,089.1 million.

In June 2018, TVRI received the refund of its deposit amounting to ₱23.9 million upon issuance of the conversion order.

In 1997, TVRI acquired a right to a property in Subic from an officer which was used as a staff house. The leasehold right is for a period of twenty-two (22) years up to October 2019. Leasehold right is carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the term of the lease and is being charged to general and administrative expenses. Amortization expense amounted to ₱0.2 million in 2019, 2018 and 2017 (see Note 20).

Set out below is the movement in the allowance for impairment losses of other noncurrent assets as follows:

| | **2019** | 2018 |
|---|---|---|
| Balances at beginning of year | **₱15,990,462** | ₱14,400,164 |
| Write-off | **(1,590,298)** | – |
| Provision for impairment losses (see Note 20) | – | 1,590,298 |
| Balances at end of year | **₱14,400,164** | ₱15,990,462 |

## 15. Accounts Payable and Accrued Expenses and Deposits from Customers

a. Accounts payable and accrued expenses

| | **2019** | 2018 |
|---|---|---|
| Trade | **₱2,153,714** | ₱2,876,539 |
| Due to NTDCC (see Note 16) | **131,563,921** | 140,674,629 |
| Deposits from third parties | **89,525,582** | 99,889,293 |
| Dividends payable (see Note 18) | **11,254,095** | 11,274,180 |
| Accrued expense | **9,362,634** | 1,903,832 |
| Interest payable | **1,061,717** | 1,062,007 |
| Payable to regulatory agencies | **3,524,822** | 4,082,152 |
| Others | **5,684,411** | 6,018,885 |
| | **₱254,130,896** | ₱267,781,517 |

Trade payables are noninterest-bearing and generally settled within thirty (30) days. Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business.

Deposits from third parties include advances received amounting to ₱89.4 million in relation to the potential acquisition of a Group's investment, subject to the completion of certain closing requirements. Deposits also include $0.2 million (₱10.5 million) in 2018, in relation to the exclusive marketing agreement entered by LTLC and the Group.

On November 15, 2016, the Parent Company declared total dividends amounting to ₱45.0 million. Dividends payable pertains to unpaid cash dividends declared by the Parent Company to its stockholders that are payable on demand (see Note 18).

Accrued expenses include professional fees and utilities that are noninterest-bearing and are normally settled within one year from the reporting date.

Payable to regulatory agencies includes withholding taxes and other government contributions related to employees of the Group that are payable within the year.

Other payables include accrual of interest and other expenses that are payable within one year.

b. Deposits from Customers

Deposits from customers classified as noncurrent substantially pertain to a deposit received from Angat Rockbase Concrete Aggregates, Inc. (ARCAI) and payment made by Laura Trading (HK) Limited Group (LTLC) amounting to $0.2 million (₱10.2 million). On August 8, 2008, VMC and ARCAI entered into a MOA wherein VMC warrants the delivery of approximately 2,000-2,200 LCM per day of blasted materials to ARCAI at the agreed price equivalent to VMC's prevailing material cost plus ₱20 per LCM. ARCAI also agreed to pay ₱20.0 million as contribution to the costs incurred by VMC and to develop the quarry and cost to prepare the area to be designated for use by ARCAI.

The amount is payable as follows:

- ₱5.0 million front-end signing of contract; and,
- ₱15.0 million to be built in the cost of raw materials and amortized over three years at the committed volume of 600,000 LCM per annum or ₱8.33 per LCM.

On July 24, 2012, VMC and ARCAI signed a MOA extending the term of the original agreement by another five years from the original expiration date. For and in consideration of the renewal, ARCAI agreed to pay VMC ₱1.5 million upon signing to pay for the historical development cost on the last year of the extended agreement. In 2016, the MOA was terminated and the operating agreement was transferred to Solid Integrated Co., Inc. (SICI).

## 16. Significant Agreements

*Funding and Repayment Agreement*
On December 17, 2014, APHC [as a shareholder of MRTDC (included and accounted as financial assets at FVOCI)] and other MRTDC shareholders, MRTDC and NTDCC executed a "Funding and Repayment Agreement" wherein the MRTDC shareholders agreed to repay NTDCC, for the account of MRTDC, their respective pro rata share in the total depot Development Rights Payments (DRP) Advances (the pre-2006 DRP Payables and the residual depot DRP, including 15% interest rate accrued on such DRP payables).

The funding and repayment agreement resulted in the recognition of a DRP payable to NTDCC, included under "Accounts payable and accrued expenses" account, which amounted to ₱131.6 million and ₱140.7 million as at December 31, 2019 and 2018, respectively (see Note 15). This also resulted in the recognition of a receivable from MRTDC, included under "Trade and other receivables" account, which amounted to ₱133.7 million and ₱147.9 million as at December 31, 2019 and 2018, respectively (see Note 5).

Commencing on January 1, 2015, APHC and other MRTDC shareholders (except Fil Estate Properties, Inc. and Metro Global Holdings Corporation) shall effect the repayment of their respective pro rata share in the total depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from NTDCC (representing 5% of the gross rental income of the commercial center, less reasonable administrative costs and management fees). Royalty income received amounted to ₱9.0 million, ₱10.5 million and ₱8.4 million in 2019, 2018 and 2017, respectively.

The set-off shall be effective as at the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the total depot DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

The following table set forth the offsetting of financial assets and liabilities recognized as at December 31, 2019 and 2018:

| | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities offset in the consolidated statement of financial position | Net amounts presented in the consolidated statement of financial position |
|---|---|---|---|
| **2019** | | | |
| **Asset** | | | |
| Commercial center royalty receivable | **₱9,110,708** | **(₱9,110,708)** | **₱–** |
| **Liability** | | | |
| Due to NTDCC (see Note 15) | **140,674,629** | **(9,110,708)** | **131,563,921** |
| 2018 | | | |
| Asset | | | |
| Commercial center royalty receivable | ₱10,879,446 | (₱10,879,446) | – |
| Liability | | | |
| Due to NTDCC (see Note 15) | 151,554,075 | (10,879,446) | 140,674,629 |

## 17. Loans Payable and Finance Lease Liability

Loans Payable

a. In 2017, BAC entered into an auto loan agreement with Howotruck (Phils.) Corporation (Howo) for the purchase of three (3) dump trucks amounting to ₱8.7 million. The loan requires ₱1.9 million down payment and the remaining price is payable in thirty-six (36) monthly amortizations to commence in February 2018 until fully paid. The loan bears 5% interest per annum.

   Maturity payments for the outstanding loan payable are as follows:

| | **2019** | 2018 |
|---|---|---|
| Within one year | **₱–** | ₱2,280,000 |
| More than one year | **–** | 2,470,000 |
| | **₱–** | ₱4,750,000 |

The loan is collateralized by a chattel mortgage over the dump trucks with carrying value of ₱3.6 million prior to sale. Interest expense amounted to ₱0.3 million, ₱0.3 million and nil in 2019, 2018 and 2017, respectively (see Note 21).

b. On February 12, 2018, BAC entered into a loan agreement with Philippine Bank of Communications whereby the latter agreed to provide BAC an aggregate principal amount of loan up to ₱40.0 million for general corporate purposes.

   On February 22, 2018, BAC made its first drawdown of the loan facility amounting to ₱40.0 million. Debt issue costs which pertain to documentary stamp taxes and front-end fees amounted to ₱0.3 million.

   The term of the loan is for 3 years, with six (6)-month grace period on principal repayment. The principal is payable in 12 equal quarterly amortizations to commence at the end of the first quarter from date of initial drawdown until fully paid. The loan bears 6.5% interest per annum.

   Maturity payments for the outstanding loan payable are as follows:

| | **2019** | 2018 |
|---|---|---|
| Within one year | ₱– | ₱16,000,000 |
| More than one year | – | 20,000,000 |
| | ₱– | ₱36,000,000 |

   The loan is collateralized by an unregistered chattel mortgage over BAC's machinery and equipment. Interest expense amounted to ₱1.3 million, ₱2.4 million and nil in 2019, 2018 and 2017, respectively (see Note 21). Accrued interest amounted to nil and ₱0.3 million as at December 31, 2019 and 2018, respectively.

Movement in the balances of loan payable during the year are as follows:

| | **2019** | 2018 |
|---|---|---|
| Loan principal | ₱– | ₱40,750,000 |
| Less unamortized debt issue costs | – | 168,399 |
| | – | 40,581,601 |
| Less current portion – net of unamortized debt issuance cost | – | 18,174,226 |
| | ₱– | ₱22,407,375 |

In 2019, BAC settled all the remaining loans payable.

Finance Lease Liability

On April 19, 2017, BAC entered into a finance lease agreement with Caterpillar Financial Services Philippines for the lease of excavators for a period of 3 years commencing May 1, 2017. Monthly lease of ₱0.3 million is payable in thirty-five (35) months starting June 1, 2017.

The future minimum lease payments under finance lease together with the present value of the net minimum lease payments as at December 31, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Within one year | ₱– | ₱3,999,996 |
| After one year but not more than 3 years | – | 1,666,665 |
| | – | 5,666,661 |
| Less amount representing finance charges | – | 178,282 |
| Present value of minimum lease payments | – | 5,488,379 |
| Less current portion of lease liability | – | 3,839,071 |
| | ₱– | ₱1,649,308 |

Interest expense incurred on finance lease liability amounted to nil, ₱0.3 million and ₱0.2 million in 2019, 2018 and 2017, respectively.

The carrying value of the related equipment under finance lease amounted to nil and ₱10.0 million as at December 31, 2019 and 2018, respectively.

In 2019, BAC settled the remaining obligation using the proceeds from the sale of its assets. From the proceeds on the sale of its assets, ₱2.5 million was used to settle the remaining lease liability.

## 18. Equity

*Capital Stock*

The movements in capital stock of the Parent Company are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| Issued and outstanding | **3,008,919,508** | **₱3,008,919,508** | 3,008,919,508 | ₱3,008,919,508 |
| Subscribed: | **7,383,030** | **7,383,030** | 7,383,030 | 7,383,030 |
| Less subscriptions receivable | **(1,367,687)** | **(1,367,687)** | (1,367,687) | (1,367,687) |
| | **6,015,343** | **₱6,015,343** | 6,015,343 | ₱6,015,343 |

The par value of the shares of stock is ₱1.

Below is the Parent Company's track record of registration of securities under the Securities Regulation Code of the SEC:

| Date of Registration (SEC Approval) | Description | Number of shares registered | Par value per share | Total amount |
|---|---|---|---|---|
| June 25, 1958 | Initial capital | 50,000,000 | ₱0.01 | ₱500,000 |
| November 5, 1958 | Increase in authorized capital stock | 1,000,000,000 | 0.01 | 10,000,000 |
| | | 1,050,000,000 | | 10,500,000 |
| February 26, 1970 | Increase in authorized capital stock | 1,000,000,000 | 0.01 | 10,000,000 |
| | | 2,050,000,000 | | 20,500,000 |
| March 22, 1979 | Increase in authorized capital stock | 8,000,000,000 | 0.01 | 80,000,000 |
| | | 10,050,000,000 | | 100,500,000 |
| September 14, 1990 | Increase in authorized capital stock | 19,950,000,000 | 0.01 | 199,500,000 |
| | | 30,000,000,000 | | 300,000,000 |
| March 13, 1996 | Change of par value from ₱0.01 to ₱1.00 | 300,000,000 | 1.00 | 300,000,000 |
| March 13, 1996 | Increase in authorized capital stock | 1,700,000,000 | 1.00 | 1,700,000,000 |
| | | 2,000,000,000 | | 2,000,000,000 |
| September 23, 2014 | Increase in authorized capital stock | 2,000,000,000 | 1.00 | 2,000,000,000 |
| | | 4,000,000,000 | | ₱4,000,000,000 |

For the years ended December 31, 2019 and 2018, there were no movements in the Parent Company's registered securities. There are 3,085 and 3,089 shareholders who hold 3.0 billion shares as at December 31, 2019 and 2018, respectively.

On March 12, 2014, the Parent Company's BOD resolved to increase the authorized capital stock from 2 billion to 4 billion common stock with par value of ₱1 per share. On September 23, 2014, the SEC approved the increase in authorized capital stock. The shares issued from the increase in authorized capital stock were still in the process of being listed in the PSE as at June 29, 2020.

*Treasury Stock*
In 2007, the BOD approved to reacquire shares totalling 13 million common shares, which were reacquired in 2008 and were stated at acquisition cost amounting to ₱27.6 million.

*Dividends Payable*
Dividends payable from the declaration made in 2016 amounted to ₱11.3 million as at December 31, 2019 and 2018 (see Note 15). The Group did not declare dividends in 2019, 2018 and 2017.

## 19. Cost of Sales

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Depreciation (see Note 11) | **₱22,308,096** | ₱26,813,535 | ₱– |
| Hauling and crushing consumables | **2,399,401** | 2,648,628 | – |
| Fuel and oil | **2,210,048** | 3,649,173 | – |
| Communication, light and water | **2,106,335** | 3,078,743 | – |
| Personnel costs (see Note 22) | **1,426,464** | 2,001,009 | – |
| Outside services | **1,086,339** | 923,686 | – |
| Rental | **–** | 2,036,357 | – |
| Others | **1,356,120** | 1,441,526 | – |
| | **₱32,892,803** | ₱42,592,657 | ₱– |

Rental pertains to lease of heavy equipment such as bulldozer, backhoe and loaders for use in the crushing plant and quarrying of the aggregates.

Others primarily pertain to delivery fee, printing, employee uniform and cash gift to employees.

## 20. General and Administrative Expenses

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Personnel costs (see Note 22) | **₱22,061,033** | ₱22,615,742 | ₱20,302,441 |
| Outside services | **18,210,534** | 10,861,466 | 15,817,365 |
| Taxes and licenses | **6,172,994** | 2,812,550 | 882,078 |
| Provision for expected credit loss on trade and other receivables (see Note 5) | **5,100,000** | 3,356,163 | – |
| Entertainment, amusement and representation | **4,220,261** | 3,506,212 | 3,242,804 |

*(Forward)*

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Transportation and travel | **₱4,015,790** | ₱3,844,016 | ₱3,215,579 |
| Depreciation (see Note 11) | **2,116,942** | 2,600,962 | 1,965,600 |
| Communication, light and water | **604,022** | 766,235 | 977,579 |
| Membership fees | **581,069** | 606,866 | 350,193 |
| Insurance | **549,606** | 463,693 | 466,323 |
| Office supplies | **383,319** | 315,694 | 735,343 |
| Amortization of leasehold rights (see Note 14) | **174,114** | 208,938 | 208,938 |
| Seminars and trainings | **155,743** | 153,918 | 1,366,838 |
| Repairs and maintenance | **149,839** | 52,913 | 91,572 |
| Professional fees | **102,866** | – | – |
| Provision for impairment losses on other noncurrent assets (see Note 14) | **–** | 1,590,298 | – |
| Others | **2,829,453** | 2,811,341 | 4,100,086 |
| | **₱67,427,585** | ₱56,567,007 | ₱53,722,739 |

Others mainly consist of legal fees, donations and miscellaneous expenses.

## 21. Interest and Other Finance Charges

The breakdown of interest income on bank deposits and receivables follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Cash with banks and short-term deposits (see Note 4) | **₱326,022** | ₱749,616 | ₱715,898 |
| Long-term note receivable (see Note 8) | **37,310,836** | 33,139,477 | 33,433,064 |
| | **₱37,636,858** | ₱33,889,093 | ₱34,148,962 |

Interest and other finance charges consist of:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Interest expense (see Note 17) | **₱1,603,220** | ₱2,737,345 | ₱– |
| Unwinding of discount | **–** | – | 164,449 |
| | **₱1,603,220** | ₱2,737,345 | ₱164,449 |

## 22. Personnel Costs

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Salaries and wages | **₱19,961,483** | ₱17,997,384 | ₱16,517,900 |
| Retirement expense (see Note 24) | **24,990** | 106,895 | 124,227 |
| Other employee benefits | **3,501,024** | 6,512,472 | 3,660,314 |
| | **₱23,487,497** | ₱24,616,751 | ₱20,302,441 |

Other employee benefits are composed of various benefits given to employees, such as medical benefits, uniform allowance, and other bonuses.

## 23. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders.

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

| Category | Year | Transactions During the Year | Outstanding Balance (Note 5) | Terms | Conditions |
|---|---|---|---|---|---|
| **Due from related parties** | | | | | |
| Ultimate Parent (Alakor) | | | | | |
| Advances | **2019** | **₱–** | **₱8,069,612** | On demand; | Unsecured; |
| | 2018 | ₱– | ₱8,069,612 | Noninterest-bearing | unimpaired |
| Associate (UPMC): | | | | | |
| Advances *(see Note 23b)* | **2019** | **25,400,000** | **38,947,744** | On demand; | Unsecured; |
| | 2018 | 9,400,000 | 26,047,744 | Noninterest-bearing | unimpaired |
| | **2019** | | **₱47,017,356** | | |
| | 2018 | | ₱34,117,356 | | |

| Category | Year | Transactions During the Year | Outstanding Balance (see Note 15) | Terms | Condition |
|---|---|---|---|---|---|
| **Due to related parties** | | | | | |
| Ultimate Parent (Alakor) | | | | | |
| Advances *(see Note 23a)* | **2019** | **₱–** | **₱13,835,036** | On demand; | Unsecured |
| | 2018 | ₱– | ₱13,835,036 | Noninterest-bearing | |
| Loan *(see Note 23c)* | **2019** | **–** | **4,000,000** | On demand | Unsecured |
| | 2018 | – | 4,000,000 | 8% interest-bearing | |
| Advances *(see Note 23d)* | **2019** | **–** | **797,047,880** | 2 years; Noninterest bearing | Unsecured |
| | 2018 | – | 797,047,880 | On demand; Noninterest-bearing | |
| Affiliate (VIMC) | | | | | |
| Advances *(see Note 23e)* | **2019** | **–** | **24,045,706** | On demand; | Unsecured |
| | 2018 | 2,862,652 | 24,045,706 | Noninterest-bearing | |
| Current portion of due to related parties | **2019** | | **₱41,880,742** | | |
| | 2018 | | ₱838,928,622 | | |
| Due to related parties - net of current portion | **2019** | | **₱797,047,880** | | |
| | 2018 | | ₱– | | |

a. Advances from Alakor Corporation pertains to cash provided to TVRI for working capital purposes.

b. The Group made advances to UPMC for additional working capital amounting to ₱25.4 million and ₱9.4 million in 2019 and 2018, respectively.

c. Loan pertains to the funding obtained by the TVRI from Alakor Corporation for capital expenditures with interest equivalent to 91-day Treasury bill for each quarter plus 2% spread.

d. In 2017, the Parent Company received advances from Alakor amounting to ₱797.0 million to fund the acquisition of ACMDC shares in 2017. On December 17, 2019, the Parent Company secured a commitment from Alakor Corporation that the latter will not to demand payment until December 31, 2021. As at December 31, 2019, advances from Alakor was reclassified to noncurrent liabilities.

e. Due to VIMC pertains to advances for working capital purposes.

All outstanding balances with related parties are expected to be settled in cash.

Compensation of Key Management Personnel
The compensation of the Parent Company's key management personnel by benefit type as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Short-term employee benefits | **₱16,453,629** | ₱14,700,000 | ₱14,800,000 |
| Post-employment pension benefits | **24,990** | 106,895 | 124,227 |
| | **₱16,478,619** | ₱14,806,895 | ₱14,924,227 |

## 24. Retirement Benefits

The Group has a funded, non-contributory defined retirement plan covering all its regular employees. The benefit is based on certain percentage of the member's final monthly salary and length of service with the Group. The retirement benefit plan obligation is determined using the projected unit credit method. There was no plan of termination or curtailment for the years ended December 31, 2019 and 2018.

Under the existing regulatory framework, Republic Act No. 7641, *Retirement Pay Law,* requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the funded status and the amounts recognized in the consolidated statements of financial position, the components of net retirement benefit expense (income) recognized in consolidated statements of comprehensive income and the changes in the present value of the defined benefit obligation and the fair value of plan assets.

Changes in the defined benefit liability and fair value of plan assets are as follows:

2019

| | **Defined Benefit Liability** | **Fair Value of Plan Assets** | **Effect of the Asset Ceiling** | **Net Defined Benefit Asset** |
|---|---|---|---|---|
| **Balances at beginning of year** | **₱11,135,381** | **(₱24,649,502)** | **₱6,445,665** | **(₱7,068,456)** |
| Current service cost | **560,072** | **–** | **–** | **560,072** |
| Net interest | **842,948** | **(1,865,967)** | **487,937** | **(535,082)** |
| **Pension cost (benefit) charged to profit or loss** | **1,403,020** | **(1,865,967)** | **487,937** | **24,990** |
| Remeasurement gain - change in the effect of the asset ceiling | **–** | **–** | **(3,054,130)** | **(3,054,130)** |
| Remeasurement loss on plan assets (excluding amount included in net interest) | **–** | **805,386** | **–** | **805,386** |

*(Forward)*

| | Defined Benefit Liability | Fair Value of Plan Assets | Effect of the Asset Ceiling | Net Defined Benefit Asset |
|---|---|---|---|---|
| Remeasurement changes arising from changes in financial assumptions | ₱1,718,584 | ₱– | ₱– | ₱1,718,584 |
| Remeasurement changes arising from experience adjustments | (591,715) | – | – | (591,715) |
| **Pension cost (benefit) charged to other comprehensive income** | 1,126,869 | 805,386 | (3,054,130) | (1,121,875) |
| **Balances at end of year** | ₱13,665,270 | (₱25,710,083) | ₱3,879,472 | (₱8,165,341) |

2018

| | Defined Benefit Liability | Fair Value of Plan Asset | Effect of the Asset Ceiling | Net Defined Benefit Asset |
|---|---|---|---|---|
| **Balances at beginning of year** | ₱10,767,631 | (₱23,629,580) | ₱4,996,763 | (₱7,865,186) |
| Current service cost | 562,289 | – | – | 562,289 |
| Net interest | 623,446 | (1,368,153) | 289,313 | (455,394) |
| **Pension cost (benefit) charged to profit or loss** | 1,185,735 | (1,368,153) | 289,313 | 106,895 |
| Remeasurement gain - change in the effect of the asset ceiling | – | – | 1,159,589 | 1,159,589 |
| Remeasurement loss on plan assets (excluding amount included in net interest) | – | 348,231 | – | 348,231 |
| Remeasurement changes arising from changes in financial assumptions | (1,389,616) | – | – | (1,389,616) |
| Remeasurement changes arising from experience adjustments | 571,631 | – | – | 571,631 |
| **Pension cost (benefit) charged to other comprehensive income** | (817,985) | 348,231 | 1,159,589 | 689,835 |
| **Balances at end of year** | ₱11,135,381 | (₱24,649,502) | ₱6,445,665 | (₱7,068,456) |

The assets of the Plan are being held by Sun Life Financial Plans, Inc. The investing decisions of the Plan are made by certain officers of the Parent Company duly authorized by the BOD. The Plan is composed of 100% insurance as at December 31, 2019 and 2018. The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation.

The principal assumptions used to determine retirement benefit plan obligation are as follows:

| | **2019** | 2018 |
|---|---|---|
| Discount rates | **5.26%** | 7.57% |
| Wage and salary increase | **5.00%** | 5.00% |
| Average expected future service years of active plan members | **20.2** | 19.2 |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

| | Increase (decrease) | **2019** | 2018 |
|---|---|---|---|
| Discount rates | +100 basis points | **(₱795,237)** | (₱674,343) |
| | -100 basis points | **887,087** | 747,933 |
| Salary increase rates | +100 basis points | **880,542** | 759,619 |
| | -100 basis points | **(804,363)** | (696,304) |

The Group does not expect to contribute to the defined benefit pension plan in 2020.

Shown below is the maturity analysis of the undiscounted benefit payments:

| | **2019** | 2018 |
|---|---|---|
| One year to five years | **₱9,697,634** | ₱10,077,888 |
| More than five years | **7,976,218** | 3,916,157 |
| | **₱17,673,852** | ₱13,994,045 |

The average duration of the defined retirement benefits liability as at December 31, 2019 and 2018 is 6.2 years and 6.4 years, respectively.

## 25. Income Taxes

The provision for current income tax in 2019, 2018 and 2017 represents MCIT for the Parent Company. VMC is in gross loss position in 2019 and 2017 and provision for current income tax represents MCIT in 2018. Aside from this, all subsidiaries have no provision for current income tax in 2019, 2018 and 2017 since they are in a taxable loss position.

The reconciliation of income tax computed at statutory tax rate to provision for (benefit from) income tax follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Income tax at statutory rate | **(₱42,701,627)** | (₱189,617,406) | (₱69,939,386) |
| Adjustments to income tax resulting from: | | | |
| Equity in net losses of associates | **58,692,181** | 179,281,602 | 63,973,305 |
| Day 1 gain | **(29,176,116)** | – | – |
| Changes in NOLCO for which no deferred tax assets were recognized | **5,242,326** | 8,593,010 | 3,751,927 |
| Accretion of discount on subscription payable | **4,104,642** | – | – |
| Nondeductible expenses | **3,051,918** | 14,649,696 | 2,574,077 |
| MCIT | **932,828** | 875,034 | 1,036,547 |
| Dividend income exempt from tax | **(165,614)** | (181,319) | (133,842) |
| Interest income subjected to final tax | **(97,806)** | (224,285) | (214,769) |
| Fair value changes of financial assets at FVTPL | **92,439** | 425,843 | 87,240 |
| Income subjected to capital gains tax and transfer tax | **–** | (565) | – |
| | **(₱24,829)** | ₱13,801,610 | ₱1,135,099 |

The components of the Group's net deferred tax assets are as follows:

| | 2019 | 2018 |
|---|---|---|
| Deferred income tax assets recognized in profit or loss: | | |
| MCIT | **₱1,036,547** | ₱4,122,854 |
| Unamortized past service costs | **195,961** | 573,471 |
| NOLCO | – | 2,395,162 |
| | **1,232,508** | 7,091,487 |
| Deferred income tax liabilities recognized in profit or loss: | | |
| Unrealized foreign exchange gains | **(2,777,986)** | (9,587,125) |
| Retirement benefit plan asset | **(1,532,266)** | (1,539,763) |
| | **(4,310,252)** | (11,126,888) |
| Deferred income tax liability on remeasurement gains on defined benefit plan recognized in other comprehensive income | **(917,337)** | (₱580,773) |
| | **(₱3,995,081)** | (₱4,616,175) |

As at December 31, 2019 and 2018, the Group did not recognize deferred tax assets on the following deductible temporary differences and carryforward benefits of MCIT and NOLCO since management believes that it is not probable that sufficient taxable profit will be available against which the benefits can be utilized:

| | 2019 | 2018 |
|---|---|---|
| Deductible temporary differences on: | | |
| NOLCO | **₱41,243,919** | ₱53,203,365 |
| Allowance for impairment losses on: | | |
| Trade and other receivables | **20,436,224** | 20,436,224 |
| Other noncurrent assets | **14,336,742** | 14,336,742 |
| Advances to suppliers | **63,422** | 956,191 |
| Input VAT | – | 697,529 |
| MCIT | **1,807,862** | 875,034 |
| Unrealized foreign exchange loss | **163,660** | 552,660 |

Movements in NOLCO and MCIT are as follows:

NOLCO

| Year Incurred | Expiry Date | At January 1, 2018 | Addition (Expired) | At December 31, 2018 | Addition (Application/Expired) | At December 31, 2019 |
|---|---|---|---|---|---|---|
| 2014 | 2017 | ₱– | ₱– | ₱– | ₱– | ₱– |
| 2015 | 2018 | 10,644,476 | (10,644,476) | – | – | – |
| 2016 | 2019 | 25,395,550 | (6,277,657) | 19,117,893 | (19,117,893) | – |
| 2017 | 2020 | 18,378,622 | – | 18,378,622 | (5,047,584) | 13,331,038 |
| 2018 | 2021 | – | 23,690,723 | 23,690,723 | – | 23,690,723 |
| 2019 | 2022 | – | – | – | 4,222,158 | 4,222,158 |
| | | ₱54,418,648 | ₱6,768,590 | ₱61,187,238 | (₱19,943,319) | ₱41,243,919 |

MCIT

| Year Incurred | Expiry Date | At January 1, 2018 | Addition (Expired) | At December 31, 2018 | Addition (Application/ Expired) | At December 31, 2019 |
|---|---|---|---|---|---|---|
| 2015 | 2018 | ₱716,693 | (₱716,693) | ₱– | ₱– | ₱– |
| 2016 | 2019 | 3,086,307 | – | 3,086,307 | (3,086,307) | – |
| 2017 | 2020 | 1,036,547 | – | 1,036,547 | – | 1,036,547 |
| 2018 | 2021 | – | 875,034 | 875,034 | – | 875,034 |
| 2019 | 2022 | – | – | – | 932,828 | 932,828 |
| | | ₱4,839,547 | ₱158,341 | ₱4,997,888 | (₱2,153,479) | ₱2,844,409 |

## 26. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

Basic and diluted loss per share are computed as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Net loss attributable to equity holders of the Parent Company | **(₱142,206,255)** | (₱645,756,046) | (₱234,175,658) |
| Weighted average number of common shares | **3,003,302,538** | 3,003,302,538 | 3,003,302,538 |
| Basic and diluted loss per share | **(₱0.05)** | (₱0.22) | (₱0.08) |

The resulting per share amounts are the same for both basic and diluted earnings per share in 2019, 2018 and 2017 since the Group does not have any debt or equity securities that will potentially cause an earnings per share dilution.

## 27. Notes to Statements of Cash Flows

*Noncash investing activity*
Noncash investing activity pertains to the acquisition of property, plant and equipment on account amounting to ₱14.5 million and purchase of additional interest in ACMDC on account amounting to ₱2,780.6 million in 2018 and 2017, respectively.

*Changes in liabilities arising from financing activities*

| | **January 1, 2019** | **Drawdowns** | **Repayments** | **December 31, 2019** |
|---|---|---|---|---|
| Due to Alakor (included as part of due to related parties) | **₱797,047,880** | **₱–** | **₱–** | **₱797,047,880** |
| Loans payable | **40,581,601** | **–** | **(40,581,601)** | **–** |
| Finance lease liability | **5,488,379** | **–** | **(5,488,379)** | **–** |
| | **₱843,117,860** | **₱–** | **(₱46,069,980)** | **₱797,047,880** |

| | January 1, 2018 | Drawdowns | Repayments | Interest Accretion | Purchase/ Acquisition | December 31, 2018 |
|---|---|---|---|---|---|---|
| Due to Alakor (included as part of due to related parties) | ₱797,047,880 | ₱– | ₱– | ₱– | ₱– | ₱797,047,880 |
| Loans payable | – | 48,700,000 | (7,950,000) | (168,399) | – | 40,581,601 |
| Finance lease liability | – | – | (9,333,333) | – | 14,821,712 | 5,488,379 |
| | ₱797,047,880 | ₱48,700,000 | (₱17,283,333) | (₱168,399) | ₱14,821,712 | ₱843,117,860 |

## 28. Financial Risk Management and Capital Management

The Group's main financial instruments are cash and cash equivalents, trade and other receivables, financial assets at FVTPL, financial assets at FVOCI, note receivable, long-term note receivable, and deposit under "Other noncurrent assets". The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as accounts payable and accrued expenses, due to related parties, loans payable, finance lease liability and subscription payable which arise directly from its operations and investing activities.

The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to liquidity risk, credit risk, foreign currency risk and equity price risk from the use of its financial instruments. The Board reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The Group's financial assets used for liquidity management are its cash and cash equivalents, trade and other receivables, note receivables, financial assets at FVTPL and financial assets at FVOCI.

As at December 31, 2019 and 2018, the Group's cash and cash equivalents may be withdrawn anytime, while its financial assets at FVTPL are traded in the stock exchange and may be converted to cash by selling them during the normal trading hours on any business day.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at December 31 (including interest as applicable):

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | Contractual Undiscounted Payments | | | |
| | Total | On Demand | Less than 1 year | 1 to 2 Years | More than 2 Years |
| **Financial Assets at Amortized Cost** | | | | | |
| Cash and cash equivalent | ₱90,807,779 | ₱90,807,779 | ₱– | ₱– | ₱– |
| Trade and other receivables | 202,719,675 | 202,719,675 | – | – | – |
| Long-term notes receivable | 589,690,570 | – | – | 60,000,000 | 529,690,570 |

*(Forward)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | Contractual Undiscounted Payments | | | |
| | Total | On Demand | Less than 1 year | 1 to 2 Years | More than 2 Years |
| **Financial assets at FVTPL** | **₱11,964,200** | **₱11,964,200** | **₱–** | **₱–** | **₱–** |
| **Financial assets at FVOCI** | **2,715,462** | **–** | **–** | **–** | **2,715,462** |
| | **897,897,686** | **305,491,654** | **–** | **60,000,000** | **532,406,032** |
| **Financial Liabilities** | | | | | |
| Accounts payable and accrued expenses* | **250,606,074** | **161,186,992** | **–** | **–** | **89,419,082** |
| Due to related parties | **838,928,622** | **41,880,742** | **–** | **797,047,880** | **–** |
| Subscription payable | **2,782,760,050** | **2,136,170** | **–** | **2,780,623,880** | **–** |
| | **3,872,294,746** | **205,203,904** | **–** | **3,577,671,760** | **89,419,082** |
| **Net Financial Assets (Liabilities)** | **(₱2,974,397,060)** | **₱100,287,750** | **₱–** | **(₱3,517,671,760)** | **₱442,986,950** |

** Excluding statutory payables*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | | Contractual Undiscounted Payments | | | |
| | Total | On Demand | Less than 1 year | 1 to 2 Years | More than 2 Years |
| **Financial Assets at Amortized Cost** | | | | | |
| Cash and cash equivalent | ₱43,577,731 | ₱43,577,731 | ₱– | ₱– | ₱– |
| Trade and other receivables | 203,558,272 | 203,558,272 | – | – | – |
| Note receivable | 60,000,000 | – | 60,000,000 | – | – |
| Long-term notes receivable | 600,651,468 | – | – | – | 600,651,468 |
| **Financial assets at FVTPL** | 12,272,330 | 12,272,330 | – | – | – |
| **Financial assets at FVOCI** | 2,175,600 | – | – | – | 2,175,600 |
| | 922,235,401 | 259,348,333 | 60,000,000 | – | 602,827,068 |
| **Financial Liabilities** | | | | | |
| Accounts payable and accrued expenses* | 253,183,365 | 169,242,988 | – | – | 83,940,377 |
| Due to related parties | 838,928,622 | 838,928,622 | – | – | – |
| Subscription payable | 2,780,623,880 | 2,780,623,880 | – | – | – |
| Loans payable | 41,510,025 | – | 18,644,812 | 18,644,812 | 4,220,401 |
| Finance lease liability | 5,666,661 | – | 3,999,996 | 1,666,665 | – |
| | 3,919,012,553 | 3,788,795,490 | 22,644,808 | 20,311,477 | 88,160,778 |
| **Net Financial Assets (Liabilities)** | (₱2,997,737,152) | (₱3,529,447,157) | ₱37,355,192 | (₱20,311,477) | ₱514,666,290 |

**Excluding statutory payables*

Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily from cash and cash equivalents and trade and other receivables.

The Group ensures that its financial assets are considered high grade by transacting only with top banks in the Philippines and maintaining good relationships with related parties, key employees and debtors who are highly reputable and with good credit standing.

Customer credit risk is managed through the Group's established policy, procedures and control relating to customer risk management including credit review and analysis of trade and other receivables on a continuous basis.

With respect to credit risk arising from cash and cash equivalents and trade and other receivables, financial assets at FVTPL and financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognized and established counterparties, there is no requirement for collateral.

Except for the trade receivables and other receivables from one of the Group's affiliates which were provided with allowance (see Note 5), management evaluated that the Group's financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱895.2 million and ₱920.0 million as at December 31, 2019 and 2018, respectively.

There are no significant concentrations of credit risk within the Group.

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture
- contract restructuring is no longer possible

The Group may also write-off financial assets that are still subject to enforcement activity. The Group has not written off outstanding loans and trade and other receivables that are still subject to enforcement activity as at December 31, 2019 and 2018.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2019 and 2018:

*General approach*

- *Cash and cash equivalents.* As at December 31, 2019 and 2018, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

- *Receivables Other Than Trade, Notes Receivable, Long-term Note Receivable.* No ECL is recognized for these receivables since there were no history of default payments. As at December 31, 2019 and 2018, allowance for impairment losses pertain to individually impaired accounts of other receivables. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

*Simplified approach*

- *Trade receivables* - The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. As at December 31, 2019 and 2018, no allowance for impairment losses was recognized as a result of performing collective impairment test. Management evaluated that the Group's trade receivables are of high grade and of good credit quality.

**2019**

| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Lifetime ECL Simplified Approach | Total |
|---|---|---|---|---|---|
| Gross carrying amount | ₱692,432,549 | ₱– | ₱25,536,224 | ₱202,719,675 | ₱920,688,448 |
| Loss allowance | – | – | (25,536,224) | – | (25,536,224) |
| Carrying amount | ₱692,432,549 | ₱– | ₱– | ₱202,719,675 | ₱895,152,224 |

2018

| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Lifetime ECL Simplified Approach | Total |
|---|---|---|---|---|---|
| Gross carrying amount | ₱716,441,529 | ₱– | ₱20,436,224 | ₱203,558,272 | ₱940,436,025 |
| Loss allowance | – | – | (20,436,224) | – | (20,436,224) |
| Carrying amount | ₱716,441,529 | ₱– | ₱– | ₱203,558,272 | ₱919,999,801 |

The tables below show the Group's aging analysis of past due but not impaired financial assets:

2019

| | Neither Past Due nor Impaired | Past Due But not Impaired | | | | Impaired | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 30 Days | 31-60 Days | 61-90 Days | Over 90 days | | |
| **Financial Assets at Amortized Cost** | | | | | | | |
| Cash and cash equivalent* | ₱90,777,779 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱90,777,779 |
| Trade and other receivables: | 202,719,675 | – | – | – | – | 25,536,224 | 228,255,899 |
| Long-term note receivable | 589,690,570 | – | – | – | – | – | 589,690,570 |
| **Financial assets at FVTPL** | 11,964,200 | – | – | – | – | – | 11,964,200 |
| | ₱895,152,224 | ₱– | ₱– | ₱– | ₱– | ₱25,536,224 | ₱920,688,448 |

** Excluding cash on hand*

2018

| | Neither Past Due nor Impaired | Past Due But not Impaired | | | | Impaired | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 30 Days | 31-60 Days | 61-90 Days | Over 90 days | | |
| **Financial Assets at Amortized Cost** | | | | | | | |
| Cash and cash equivalent* | ₱43,517,731 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱43,517,731 |
| Trade and other receivables: | 203,558,272 | | | | | 20,436,224 | 223,994,496 |
| Note receivable | 60,000,000 | – | – | – | – | – | 60,000,000 |
| Long-term note receivable | 600,651,468 | – | – | – | – | – | 600,651,468 |
| **Financial assets at FVTPL** | 12,272,330 | – | – | – | – | – | 12,272,330 |
| | ₱919,999,801 | ₱– | ₱– | ₱– | ₱– | ₱20,436,224 | ₱940,436,025 |

** Excluding cash on hand*

The credit quality of financial assets is managed by the Group using high, medium and low grades as internal credit ratings.

High grade - pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and government agencies.

Medium and low grades - other financial assets not belonging to high grade financial assets are included in either of these categories.

The Group has assessed the credit quality of the following financial assets:

- Cash and cash equivalents are classified as high grade since these are deposited with reputable banks.
- Trade and other receivables are classified medium grade since these are receivables from related parties taking into account the related parties' financial standing and ability to pay. Other than the receivable which was written off in 2016, there was no history of default on the outstanding receivables as at December 31, 2019.
- Financial assets at FVTPL are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

- Financial assets at FVOCI are assessed as medium grade since these belongs to companies which have good financial conditions and operate in an industry which has potential growth.
- Note receivable, long-term note receivable and deposit are classified as medium grade since these belongs to companies which have good financial conditions and operate in an industry which has potential growth.

The Group's maximum exposure to credit risk is equal to the aggregate carrying amount of its financial assets.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and other market variables which will adversely affect the Group's total comprehensive income or value of its financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters. The exposures to specific market risks are as follows:

*Foreign Exchange Risk*
The Group uses the Philippine peso as its functional currency and is therefore exposed to foreign exchange movements, primarily in US$ currency. The Group follows a policy to manage its foreign exchange risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-peso currencies.

Information on the Group's US$-denominated monetary assets and liabilities and their ₱ equivalent are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **US$** | **₱** | US$ | ₱ |
| **Financial assets:** | | | | |
| Cash in banks | **$1,239,211** | **₱62,753,645** | $291,169 | ₱15,309,666 |
| Accrued interest receivable | **17,435** | **882,908** | 15,866 | 834,234 |
| Long-term note receivable | **10,460,957** | **529,742,862** | 11,423,573 | 600,651,468 |
| **Net Financial Assets** | **$11,717,603** | **₱593,379,416** | $11,730,608 | ₱616,795,377 |

The following table demonstrates the sensitivity to a reasonably possible change in Philippine ₱/US$, with all other variables held constant, of the Group's income before income tax.

There is no other impact on the Group's equity other than those affecting the consolidated statements of comprehensive income.

| | Change in ₱/US$ exchange rate | |
|---|---|---|
| | US$ strengthens by 5% | US$ weakens by 5% |
| Increase (decrease) in income/loss before income tax and in equity | | |
| **2019** | **₱29,159,691** | **(₱29,159,691)** |
| 2018 | 30,313,969 | (30,313,969) |
| 2017 | 28,529,296 | (28,529,296) |

As at December 31, 2019 and 2018, the exchange rate of the Philippine peso to the US$ is ₱50.64 and ₱52.58, respectively.

*Equity Price Risk*
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of the listed shares. The equity price risk exposure arises from the Group's investment in financial assets at FVTPL and quoted financial assets at FVOCI. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instrument.

The effects on equity and income before income tax, (as a result of a change in the fair value of financial assets at FVOCI and financial assets at FVTPL, respectively, at December 31, 2019, 2018 and 2017 due to a reasonably possible change in close market prices, with all other variables held constant), are as follows:

| | Change in fair market value | |
|---|---|---|
| | Increase in market indices by 5% | Decrease in market indices by 5% |
| **Financial Assets at FVTPL** | | |
| Increase (decrease) in income/loss before income tax and in equity: | | |
| **2019** | **(₱598,210)** | **₱598,210** |
| 2018 | (613,617) | 613,617 |
| 2017 | (185,641) | 185,641 |
| **Financial Assets and FVOCI** | | |
| **2019** | **(₱135,773)** | **₱135,773** |
| 2018 | (108,780) | 108,780 |
| 2017 | (212,550) | 212,550 |

The impact on the Group's equity already excludes the impact on transactions affecting the consolidated statements of comprehensive income.

## 29. Fair Value Measurement

Fair Values of Financial Instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash and Cash Equivalents, Trade and Other Receivables, Notes Receivables, Accounts Payable and Accrued Expenses and Due to Related Parties*
The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses and due to related parties approximate their fair values due to their short-term maturities.

*Long-term Note Receivable*
The fair value of long-term note receivable is determined based on Level 3 inputs using the present value of future cash flows discounted using current rates available for note with the same profile as at reporting date. The fair value of long-term note receivable as at December 31, 2019 and 2018 amounted to ₱597.9 million and ₱627.1 million, respectively. Discount rates used ranged from 3.67% to 4.07% in 2019 and from 5.78 to 7.06% in 2018. The carrying amount of long-term note receivable amounted to ₱589.7 million and ₱600.7 million as at December 31, 2019 and 2018, respectively.

*Financial Assets at FVTPL and Financial Assets at FVOCI*
The fair values of publicly traded instruments and similar investments are determined based on Level 1 inputs using the quoted closing market prices at the end of the reporting period. Fair value of unquoted equity shares is determined based on Level 2 inputs using adjusted net value asset approach.

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of the Level 3 measurements.

*Deposit*
The carrying amount of deposit approximates its fair value. The timing and related amounts of future cash flows relating to deposit cannot be reasonably and reliably estimated for purposes of establishing the fair value using an alternative valuation technique.

*Subscription Payable*
The fair value of subscription payable is determined based on Level 3 inputs using the present value of future cash flows discounted using current rates available for note with the same profile as at reporting date. The fair value of subscription payable as at December 31, 2019 amounted to ₱2,879.3 million. Discount rates used ranged from 3.67% to 4.07% in 2019. The carrying amount of subscription payable amounted to ₱ 2,694.9 million as at December 31, 2019.

Investment Properties
The fair value of investment properties is determined using the Sales Comparison Approach. In this approach, the value of the land was based on the sales of similar or substitute properties, related market data and listings of comparable property within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. This comparison was premised on the factors as property location, desirability, accessibility, neighborhood, utility, size and the time elements involved.

In determining the appropriate class of investment properties, the Group has considered the nature, characteristics and risks of its properties as well as the level of the fair value hierarchy within which the fair value measurements are categorized. This resulted in determining the fair value of investment properties under Level 3 of the fair value hierarchy. There have been no transfers between levels during the period.

Based upon analysis of the prevailing land usage in the neighborhood and the properties itself, a mix of residential, commercial and agricultural utility would represent the highest and best use of the property.

Significant increase (decrease) in the economic market value of land brought by inflation, area stability, development and improvements per hectare, per location, over time would result in a significantly higher (lower) fair value of the property.

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of the Level 3 measurements.

## 30. Segment Reporting

The primary segment reporting format is determined to be the business segments since the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The mining segment is engaged in exploration and mining operations. Meanwhile, the non-mining segment is engaged in realty or acts as holding Group.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.

2019

| | Mining | Non-Mining | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| From external customers | ₱17,680,164 | ₱– | ₱17,680,164 | ₱– | ₱17,680,164 |
| **Segment results** | | | | | |
| Loss before income tax | (₱192,853,339) | ₱50,514,582 | (₱142,338,757) | ₱– | (₱142,338,757) |
| Benefit from income tax | – | 24,829 | 24,829 | – | 24,829 |
| **Net Loss** | (₱192,853,339) | ₱50,539,411 | (₱142,313,928) | ₱– | (₱142,313,928) |
| **Assets** | | | | | |
| Segment assets | ₱14,474,254 | ₱1,806,279,049 | ₱1,820,753,303 | (₱337,611,076) | ₱1,483,142,227 |
| Investments | – | 7,991,530,236 | 7,991,530,236 | – | 7,991,530,236 |
| **Liabilities** | | | | | |
| Segment liabilities | 98,992,401 | 3,837,481,469 | 3,936,473,870 | (126,302,537) | 3,810,171,333 |
| **Other segment information** | – | – | – | – | – |
| Depreciation, depletion and amortization | 22,409,579 | 2,189,573 | 24,599,152 | – | 24,599,152 |
| Finance charges | 1,603,220 | – | 1,603,220 | – | 1,603,220 |

2018

| | Mining | Non-Mining | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| From external customers | ₱31,265,927 | ₱– | ₱31,265,927 | ₱– | ₱31,265,927 |
| **Segment results** | | | | | |
| Loss before income tax | (₱651,187,677) | 19,129,658 | (₱632,058,019) | ₱– | (₱632,058,019) |
| Benefit from income tax | (1,400) | (13,800,210) | (13,801,610) | – | (13,801,610) |
| **Net Loss** | (₱651,189,077) | (₱5,329,448) | (₱618,255,409) | ₱– | (₱618,255,409) |
| **Assets** | | | | | |
| Segment assets | ₱82,988,914 | ₱1,871,382,423 | ₱1,954,371,337 | (₱392,130,785) | ₱1,562,240,552 |
| Investments | – | 8,387,203,156 | 8,387,203,156 | – | 8,387,203,156 |
| **Liabilities** | | | | | |
| Segment liabilities | 170,294,325 | 3,954,449,428 | 4,124,743,753 | (180,822,247) | 3,943,921,506 |
| **Other segment information** | | | | | |
| Depreciation, depletion and amortization | 27,387,512 | 2,235,923 | 29,623,435 | – | 29,623,435 |
| Finance charges | 2,513,015 | 224,330 | 2,737,345 | – | 2,737,345 |

The consolidated revenue in the above tables includes the non-mining revenue, which consist of interest income, royalty income, dividend income and gains.

## 31. Events After the Reporting Period

On March 11, 2019, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 13, 2020, in a move to contain the COVID-19 pandemic, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an Enhanced Community Quarantine (ECQ) throughout the entire island of Luzon until April 12, 2020. The restriction was further changed to Modified Enhanced Community Quarantine (MECQ), General Community Quarantine (GCQ) and subsequently extended until June 15, 2020. These measures have caused disruptions to businesses and economic activities, and its impact businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as at and for the year ended December 31, 2019. The Group's decision to temporarily stop operation has nothing to do with the outbreak. However, it is unclear whether the pandemic could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-4 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders
Anglo Philippine Holdings Corporation
6th Floor Quad Alpha Centrum
125 Pioneer St. Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Anglo Philippine Holdings Corporation and Subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 included in this SEC Form 17-A, and have issued our report thereon dated June 29, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibilities of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

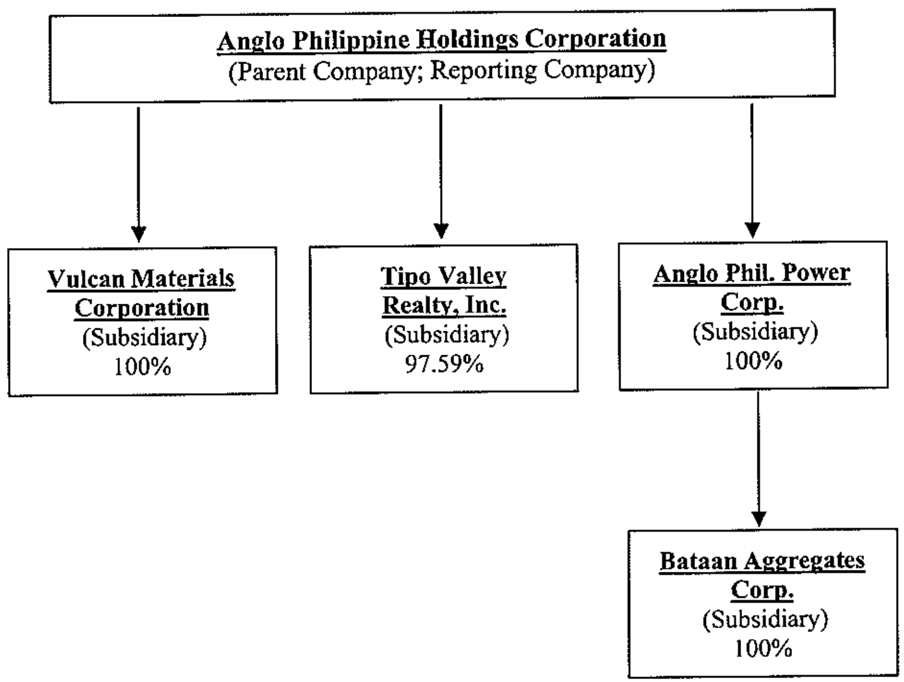
Ma. Genalin Q. Arevalo
Partner
CPA Certificate No. 108517
SEC Accreditation No. 1613-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 224-024-926
BIR Accreditation No. 08-001998-123-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125207, January 7, 2020, Makati City

June 29, 2020

# SCHEDULE I
# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## FINANCIAL RATIOS PURSUANT TO REVISED SRC RULE 68
## DECEMBER 31, 2019

| | 2019 | 2018 |
|---|---|---|
| **Profitability Ratios:** | | |
| Return on assets | **(1.50%)** | (6.49%) |
| Return on equity | **(2.51%)** | (10.75%) |
| Gross profit margin | **(86.04%)** | (36.23%) |
| Net profit margin | **(74.15%)** | (2065.70%) |
| **Liquidity and Solvency Ratios:** | | |
| Current ratio | 1.07:1 | 0.09:1 |
| Quick ratio | 1.02:1 | 0.07:1 |
| Solvency ratio | (0.04:1) | (0.16:1) |
| **Financial Leverage Ratios:** | | |
| Asset to equity ratio | 1.68:1 | 1.66:1 |
| Debt ratio | 0.40:1 | 0.40:1 |
| Debt to equity ratio | 0.67:1 | 0.66:1 |
| Interest coverage ratio | (90) | 230 |

# SCHEDULE II
## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
### MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
### PURSUANT TO REVISED SRC RULE 68
### DECEMBER 31, 2019



**SCHEDULE III**
**ANGLO PHILIPPINE HOLDINGS CORPORATION**
**RECONCILIATION OF RETAINED EARNINGS**
**AVAILABLE FOR DIVIDEND DECLARATION**
**PURSUANT TO REVISED SRC RULE 68 AND**
**SEC MEMORANDUM CIRCULAR NO. 11**
**December 31, 2019**

| | | |
|---|---|---|
| **Unappropriated Retained earnings as at December 31, 2018, as reflected in audited financial statements** | | ₱959,479,811 |
| Previous year's unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents) | | (30,353,831) |
| Deferred income tax asset that reduced the amount of provision for income tax | | (9,546,739) |
| Treasury shares | | (27,566,075) |
| **Unappropriated Retained Earnings,** ***as adjusted to available for dividend distribution, beginning*** | | 892,013,166 |
| **Add: Net income actually earned/realized during the period** | (142,206,255) | |
| Net loss during the period closed to Retained Earnings | | |
| Less: Non-actual/unrealized income net of tax | | |
| Equity in net income of associate/joint venture | – | |
| Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) | 22,088,891 | |
| Unrealized actuarial gain | – | |
| Fair value adjustment (mark-to-market gains) | – | |
| Fair value adjustment of investment property resulting to gain | – | |
| Adjustment due to deviation from PFRS/GAAP – gain | – | |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS | – | |
| Subtotal | (120,117,364) | |
| Add: Non-actual losses | | |
| Depreciation on revaluation increment (after tax) | – | |
| Adjustment due to deviation from PFRS/GAAP – loss | – | |
| Loss on fair value adjustment of investment property (after tax) | – | |
| Subtotal | – | |
| **Net loss actually incurred during the period** | | **(120,117,364)** |
| Add (Less): | | |
| Dividend declarations during the period | – | |
| Appropriations of retained earnings | – | |
| Reversals of appropriations | – | |
| Effects of prior period adjustments | – | |
| Treasury shares | – | |
| Subtotal | – | |
| **Unappropriated Retained Earnings, as adjusted, ending** | | ₱771,895,802 |

**SCHEDULE A**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**FINANCIAL ASSETS IN EQUITY SECURITIES**
**DECEMBER 31, 2019**

| Name of issuing entity and association of each issue | Number of shares or principal amounts of bonds and notes | Amount shown in the balances sheet (figures in thousands) | Income received and accrued |
|---|---|---|---|
| | NOT APPLICABLE | | |

**SCHEDULE B**

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
### AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
### DECEMBER 31, 2019

| Name and designation of debtor | Balance at beginning period | Additions | Amounts collected / settlements | Amounts written-off | Current | Not current | Balance at end period |
|---|---|---|---|---|---|---|---|
| Alakor Corporation | ₱8,069,612 | ₱1,838,522 | ₱– | ₱– | ₱9,908,134 | ₱– | ₱9,908,134 |

**SCHEDULE C**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**AMOUNTS RECEIVABLE FROM RELATED PARTIES**
**WHICH ARE ELIMINATED DURING THE**
**CONSOLIDATION OF FINANCIAL STATEMENTS**
**DECEMBER 31, 2019**

| Name and designation of debtor | Balance at beginning period | Additions | Amounts collected/ settlements | Amounts written-off | Current | Not current | Balance at end period |
|---|---|---|---|---|---|---|---|
| Vulcan Materials Corp. | ₱24,048,353 | ₱3,678,446 | ₱– | ₱– | ₱27,726,799 | ₱– | ₱27,726,799 |
| Tipo Valley Realty, Inc. | 49,456,675 | 7,798,165 | – | – | 57,254,840 | – | 57,254,840 |
| Anglo Phil. Power Corp. | 50,194,597 | – | 27,795,466 | – | 23,399,131 | – | 23,399,131 |

**SCHEDULE D**

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
**LONG-TERM DEBT**
**DECEMBER 31, 2019**
**(Amounts in Thousands)**

| Title of Issue and type of obligation | Amount authorized by: Indenture | Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet | Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet |
|---|---|---|---|
| Loan payable | ₱36,000 | ₱3,839 | ₱1,649 |

**SCHEDULE E**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**INDEBTEDNESS TO RELATED PARTIES**
**(LONG-TERM LOANS FROM RELATED COMPANIES)**
**DECEMBER 31, 2019**

| Name of Related Party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| | NOT APPLICABLE | |

**SCHEDULE F**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**
**DECEMBER 31, 2019**

| Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owed by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|
| | | NOT APPLICABLE | | |

**SCHEDULE G**

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## CAPITAL STOCK
## DECEMBER 31, 2019

Group's authorized share capital is ₱4 billion divided into 4 billion shares at ₱1.00 par value. As at December 31, 2019, total shares issued and outstanding is 3,003,302,538 held by 3,089 shareholders, and treasury shares is 13,000,000 shares.

| Title of Issue | Number of shares authorized | Number of shares issued and outstanding as shown under related financial condition caption | Number of shares reserved for option, warrants, conversions and other rights | Directors and Officers | Principal/ Substantial Stockholders | No of shares held by Government | Banks | Others |
|---|---|---|---|---|---|---|---|---|
| Common Stock | 4,000,000,000 | 3,016,302,538* | – | 96,206,705 | 2,407,937,951 | 1,320 | – | 499,156,562 |

*Including 13,000,000 shares in Treasury Stock

# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
# INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
## SEC FORM 17-A
### DECEMBER 31, 2019

**CONSOLIDATED FINANCIAL STATEMENTS**

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Auditor

Consolidated Statements of Financial Position as at December 31, 2019 and 2018

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017

Consolidated Statements of Changes in Equity for the Years Ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017

Notes to Consolidated Financial Statements

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules

SCHEDULE I Financial Ratios

SCHEDULE II Map of the Relationships of the Companies within the Group

SCHEDULE III Reconciliation of Retained Earnings Available for Dividend Declaration

SCHEDULE A. Financial Assets in Equity Securities

SCHEDULE B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than Related Parties)

SCHEDULE C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

SCHEDULE D. Long-Term Debt

SCHEDULE E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

SCHEDULE F. Guarantees of Securities of Other Issuers

SCHEDULE G. Capital Stock

# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

| **Company Details** | |
|---|---|
| Name of Organization | **ANGLO PHILIPPINE HOLDINGS CORPORATION (APO)** |
| Location of Headquarters | $6^{TH}$ Floor Quad Alpha Centrum 125 Pioneer St. Mandaluyong City |
| Location of Operations | Philippines |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | This Sustainability Report covers the operations of Anglo Philippine Holdings Corporation |
| Business Model, including Primary Activities, Brands, Products, and Services | The Company is an investments holding firm focused on, and maintaining investments in, natural resources, property development and infrastructure. The Company also maintains minor investments in diversified pioneer projects with attractive economic returns. |
| Reporting Period | January 1 to December 31, 2019 |
| Highest Ranking Person responsible for this report | Adrian Paulino S. Ramos - President |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

| **Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**[1] |
|---|
| APO, as a holding Company, with its avowed vision/mission of *"Helping Build the Filipino Future"*, focuses its investments in natural resources, property development and infrastructure projects. This report covers its operations as an investment company.<br><br>In preparing this report, APO assesses its objective and target goals not only as an organization but also as a company responsible to its stakeholders. Identifying the issues helps APO assess its risk exposures which allows it, in turn, to look for or create new or better opportunities. These opportunities likewise allow APO to align its efforts in adhering to best practices in the local business industry but also to hold itself capable of adhering to international standards. Material topics were discussed and assessed with the guidance of the Board of Directors and APO's key executive officers. |

[1] See *GRI 102-46* (2016) for more guidance.

# ECONOMIC

## Economic Performance

### Direct Economic Value Generated and Distributed

| Disclosure | Amount |
|---|---|
| Direct economic value generated (revenue) | 144,407,463 |
| Direct economic value distributed: | |
| a. Operating costs | 52,932,160 |
| b. Employee wages and benefits | 18,844,563 |
| c. Payments to suppliers, other operating costs | 155,743 |
| d. Dividends given to stockholders and interest payments to loan providers | - |
| e. Taxes given to government | P5,590,769 |
| f. Investments to community (e.g. donations, CSR) | 74,000 |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO generally participates in natural resources, infrastructure and property development projects as a pure equity holder without involving itself directly in the operations of the venture beyond the level of the board of directors or operating committees. | Employees<br><br>Stockholders<br><br>Suppliers | APO invests only in projects that yield or would yield a return on investment consistent with the economic thresholds set by the Company which are, in turn, based on accepted investment grade standards set by the international business community. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Since APO generates its revenues and income fromits investments by way of (a)dividends received from, and/or equitizable share in the earnings of, investee companies; and, (b) sale of investments or of the securities to which the investment may have been converted, including interest income earned by such securities, an economic downturn that will | Employees<br><br>Stockholders | APO will continue to take advantage of new business opportunities that may emerge in other investment areas which provide synergies with the Company's investment portfolio. |

| | | |
|---|---|---|
| negatively affect the operations of its investee Company will affect the Company's ability to generate income. | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Due to the current COVID 19 crisis that the country is experiencing the economic growth of the Company will be affected. | Employees<br><br>Stockholders | APO will continue to take advantage of new business opportunities that may emerge in other investment areas which provide synergies with the Company's investment portfolio. |

Climate-related risks and opportunities[2]

Climate-related risks and opportunities[3]

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| APO, as a holding Company is not directly at risk of climate-related threats. The Board of directors is tasked to primarily manage the overall risks and opportunities by establishing the Board Risk Oversight Committee (BROC). | The actual and potential impacts[4] of climate-related risks and opportunities on the APO 's businesses, strategy, and financial planning are immaterial. | APO has no material climate related risks. | At present the Company has no formal climate-related risk strategies and metrics. Nonetheless, the Company will consider adopting a formal enterprise risk management program. |
| **Recommended Disclosures** | | | |
| a) Not applicable | a) Not applicable | a) Not applicable | a) Not applicable |
| b) Not applicable | b) Not applicable | b) Not applicable | b) Not applicable |
| | c) Not applicable | c) Not applicable | |

[2]Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3]Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[4]For this disclosure, impact refers to the impact of climate-related issues on the company.

## Procurement Practices

### Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | N/A | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Since APO is a holding company and its primary business is investing,it does not directly utilize raw materials nor does it procure much supplies, except office supplies. | The effect on shareholders is not material. | Management applies conventional business measures in monitoring and procuring supplies. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Potential fraud and corruption | Stockholders | APO commits itself to strictly monitor procurement practices. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Procurement costs will be reduced. | Stockholders<br><br>Employees | APO commits itself to strictly monitor procurement practices. |

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 0 | % |
| Percentage of directors and management that have received anti-corruption training | 93 | % |
| Percentage of employees that have received anti-corruption training | 0 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO Board of Directors sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct and Ethics. | Employees<br><br>Suppliers<br><br>Stockholders<br><br>Government | APO management ensures that the Company's Code of Conduct and Ethics is strictly followed. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Employees may be tempted to do corruptpractices if left unsupervised. | Employees<br><br>Suppliers<br><br>Stockholders<br><br>Government | Management promotes the Company's values and culture so that all its employees will act in accordance with this policy. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| APO is geared toward business growth in the future and having its Code of Conduct and Ethics will mean that its employees will abide by the law. | Employees<br><br>Suppliers<br><br>Stockholders<br><br>Government | APO management ensures that the Company's Code of Conduct and Ethics is strictly followed. |

Incidents of Corruption

| Disclosure | Quantity | Units |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO will not tolerate corrupt acts and will implement disciplinary actions against employees violating the Company's Code of Conduct and Ethics. | Employees<br>Suppliers<br>Government | APO management ensures that the Company's Code of Conduct and Ethics is strictly followed. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Employees may be tempted to do corrupt practices if left unsupervised. | Employees<br>Suppliers<br>Stockholders<br>Government | APO management ensures that Company's code of conduct and ethics are strictly followed. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| APO geared toward business growth in the future and having its code of conduct and ethics will mean that its employees will abide by the law. | Employees<br>Suppliers<br>Stockholders<br>Government | APO management ensures that the Company's Code of Conduct and Ethics is strictly followed. |

| ENVIRONMENT |
|---|

**Resource Management**

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|---|---|---|
| Energy consumption (renewable sources) | 0 | GJ |
| Energy consumption (gasoline) | Not material | GJ |
| Energy consumption (LPG) | 0 | GJ |
| Energy consumption (diesel) | 0 | GJ |
| Energy consumption (electricity) | 25,280 | kWh |

Reduction of energy consumption

| Disclosure | Quantity | Units |
|---|---|---|
| Energy reduction (gasoline) | 0 | GJ |
| Energy reduction (LPG) | 0 | GJ |
| Energy reduction (diesel) | 0 | GJ |
| Energy reduction (electricity) | 0 | kWh |
| Energy reduction (gasoline) | 0 | GJ |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO consumes electricity for office use where administrative functions are performed. Efficient use of electricity is always communicated to its employees. | Employee<br><br>Stockholders<br><br>Provider of Utility<br><br>Government | APO commits itself to find ways to minimize electricity consumption to reduce the Company's costs. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| APO has no formal energy reduction program. | Employees<br><br>Stockholders | APO management is committed to educate its employees on the benefits of reduction of energy consumption. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Measures to save on energy cost will result to reduced company expenses. | Employees | Management will continue to find ways to minimize energy consumption. |

Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Water withdrawal | 0 | Cubic meters |
| Water consumption | 956 | Cubic meters |
| Water recycled and reused | 0 | Cubic meters |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| Since APO's water consumption is merely for employees personal use while inside office premises and keeping the office clean, the efficient way to conserve water consumption is communicated to all employees. | Employee<br>Stockholders<br>Provider of Utility<br>Government | APO commits itself to find ways to minimize electricity consumption to reduce the Company's costs. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| If not given the proper instructions, employees may consume water unefficiently. | Employee<br>Stockholders<br>Provider of Utility<br>Government | APO management is committed to educate its employees on the benefits of reduced water consumption**.** |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| APO as an investment Company may consider venturing into water-related business opportunities in the future. | Employee<br>Stockholders<br>Government<br>Community | APO invests only in projects that yield or would yield a return on investment consistent with the economic thresholds set by the Company which are, in turn, based on accepted investment grade standards set by the international business community. |

Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | N/A | |
| • renewable | * | kg/liters |

| | | |
|---|---|---|
| • non-renewable | * | kg/liters |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | * | % |

*These do not apply as the Company is not in the manufacturing business.

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO is not involved in manufacturing, and therefore has no raw materials, but the Company understands its responsibility to ensure that it does its part to protect the environment. | Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| APO has not identified any significant risks with respect to this matter. | Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| APO has not identified any significant opportunities with respect to this matter. | Not applicable | Not applicable |

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 0 | |
| Habitats protected or restored | 0 | ha |
| IUCN[5] Red List species and national conservation list species with habitats in areas affected by operations | 0 | |

[5]International Union for Conservation of Nature

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO's office is located in business district areas and is not located or near any protected areas. Also, the Company does not lease nor own any facility or property near protected areas. | Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risk Identified for this matter. | Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified for this matter. | Not applicable | Not applicable |

### Environmental impact management

Air Emissions

*GHG*

| Disclosure | Quantity | Units |
|---|---|---|
| Direct (Scope 1) GHG Emissions | 0 | Tonnes $CO_2e$ |
| Energy indirect (Scope 2) GHG Emissions | 0 | Tonnes $CO_2e$ |
| Emissions of ozone-depleting substances (ODS) | 0 | Tonnes |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO is not a manufacturing business and its operation does not result to much direct material environmental impact as opposed to a business that is part of the | *Not applicable* | *Not applicable* |

| | | |
|---|---|---|
| manufacturing businesses. | | |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks identified for this matter. | Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified for this matter. | Not applicable | Not applicable |

*Air pollutants*

| Disclosure | Quantity | Units |
|---|---|---|
| $NO_x$ | 0 | kg |
| $SO_x$ | 0 | kg |
| Persistent organic pollutants (POPs) | 0 | kg |
| Volatile organic compounds (VOCs) | 0 | kg |
| Hazardous air pollutants (HAPs) | 0 | kg |
| Particulate matter (PM) | 0 | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO is not a manufacturing business and its operation does not result to much direct material environmental impact as opposed to a business that is part of the manufacturing businesses. | Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks identified for this matter. | Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified for this matter. | Not applicable | Not applicable |

## Solid and Hazardous Wastes

### *Solid Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total solid waste generated | N/A | kg |
| Reusable | | kg |
| Recyclable | | kg |
| Composted | | kg |
| Incinerated | | kg |
| Residuals/Landfilled | | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO is not a manufacturing business and its operation does not result to much direct material environmental impact as opposed to a business that is part of the manufacturing businesses. | Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks identified at this for this matter. | Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified for this matter. | Not applicable | Not applicable |

### *Hazardous Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total weight of hazardous waste generated | N/A | kg |
| Total weight of hazardous waste transported | | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO is not a manufacturing business and its operation does not result to much direct material environmental impact as opposed to a business that is part of the manufacturing businesses. | Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks identified for this matter. | Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified for this matter. | Not applicable | Not applicable |

Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | N/A | Cubic meters |
| Percent of wastewater recycled | | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO is not a manufacturing business and its operation does not result to much direct material environmental impact as opposed to a business that is part of the manufacturing businesses. | Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |

| | | |
|---|---|---|
| No significant risks identified for this matter. | Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified for this matter. | Not applicable | Not applicable |

**Environmental compliance**

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | 0 | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | 0 | # |
| No. of cases resolved through dispute resolution mechanism | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| APO as an investment company has not broken any environmental laws and regulations | Employees<br>Stockholders | APO management will always support the government in implementing environmental laws and regulations. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Violation of environmental laws will mean additional expenses to the company. | Employees<br>Stockholders<br>Community | APO management will always support the government in implementing environmental laws and regulations. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| APO's awareness to abide with the environmental laws and regulations imposed by the government will contribute to a well-protected environment. | Employees<br>Stockholders<br>Community | APO management will always support the government in implementing environmental laws and regulations. |

## SOCIAL

**Employee Management**

Employee Hiring and Benefits

*Employee data*

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees[6] | | |
| a. Number of female employees (including Officer) | 5 | # |
| b. Number of male employees (including officer) | 8 | # |
| Attrition rate[7] | 0 | rate |
| Ratio of lowest paid employee against minimum wage | 0 | ratio |

*Employee benefits*

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|---|---|---|
| SSS | Y | 100% | 100% |
| PhilHealth | Y | 100% | 100% |
| Pag-ibig | Y | 100% | 100% |
| Parental leaves | N | Not Applicable | Not Applicable |
| Vacation leaves | Y | 100% | 100% |
| Sick leaves | Y | 100% | 100% |
| Medical benefits (aside from PhilHealth)) | Y | 100% | 100% |
| Housing assistance (aside from Pag-ibig) | N | Not Applicable | Not applicable |
| Retirement fund (aside from SSS) | Y | 0% | 0% |
| Further education support (for child) | Y | 80% | 75% |
| Company stock options | N | Not Applicable | Not Applicable |
| Telecommuting | N | Not Applicable | Not Applicable |
| Flexible-working Hours | Y | 100% | 100% |
| (Others) | N | Not Applicable | Not Applicable |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| APO ensures that employees are taken care of with regards to their benefits, thereby, resulting to a high morale on employees and minimal attrition rate. | APO management follows its policies and guidelines in giving benefits to its employees. APO ensures to abide by the guidelines set by the regulatory body in terms of regular contributions and remittances, i.e SSS, Pag-big and Philhealth. |
| **What are the Risk/s Identified?** | **Management Approach** |

[6] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[7] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

| | |
|---|---|
| The proximity of residence may affect the performance and attendance of employees. | APO considers flexible working hours for its employees. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| APO interacts with its employees which give an opportunity for management to understand the needs of each employee and how to properly address them. | APO management also encourages employees to make suggestions and explores these ideas to see if they can be applied. |

Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | 48 | hours |
| b. Male employees | 36 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 48 | hours/employee |
| b. Male employees | 36 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| Directors and Officers are encouraged to attend trainings and information campaign seminars on new laws/regulations being implemented that impacts on the Company's business and operations. | The attendance in seminars, conventions, or trainings by directors, officers and employees may be fully or partially subsidized by the Company depending on the nature of the convention, seminar or training. Full subsidy shall be extended when the nature of the convention, seminar or training is directly related to the function of the attending director, officer or employee in the Company. Partial subsidy may be extended when the nature of the convention, seminar or training is not directly related to the function of the attending director, officer or employee in the Company, but is geared towards the personal growth and development of the attending director, officer or employee. The percentage of the subsidy shall depend on the President's discretion. Subject to scheduling arrangements, all regular employees shall be entitled to attend in-house seminar or training organised by the Company. |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| No significant risks identified for this matter. | APO management arranges and schedules trainings and seminar to ensure maximum attendance. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| APO sends off its directors and officers to seminars and trainings in order for them to keep abreast with the current trends, laws and regulations, more particularly in the field of corporate governance. | APO management arranges and scheduledstrainings and seminars to ensure maximum attendance. |

Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | 0 | % |
| Number of consultations conducted with employees concerning employee-related policies* | - | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| APO has no employees covered by CBA. The Company has no formal data on this. Direct consultations is done to the concerned employee regarding employee-related policies when the need arises. | APO management is open to hearing grievances of employees and will conduct consultations if needed to address the issues. |
| **What are the Risk/s Identified?** | **Management Approach** |
| No significant risk Identified for this matter. | APO management is open to hearing grievances of employees and will conduct consultations if needed to address the issues. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| APO management always seeks to listen to employees' grievances, giving the company an opportunity to strengthen its relationship with its employees. | APO management is open to hearing grievances of employees and will conduct consultations, if needed, to address the issues. |

Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 38% | % |
| % of male workers in the workforce | 62% | % |
| Number of employees from indigenous communities and/or vulnerable sector* | 0 | # |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| APO ensures fair treatment of its employees regardless of gender and status in life. | APO management frowns upon discrimination within the organization. |
| **What are the Risk/s Identified?** | **Management Approach** |
| No significant risks identified for this matter. | APO management frowns upon discrimination within the organization. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| APO gives equal opportunity to its employees. | APO management frowns upon discrimination within the organization. |

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | 2,408 | Man-hours |
| No. of work-related injuries | 0 | # |
| No. of work-related fatalities | 0 | # |
| No. of work related ill-health | 0 | # |
| No. of safety drills* | 1 | # |

*The building administrator administered fire drill once a year.

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| Since APO is an investment Company, work-related hazards are very minimal. | APO has tasked its Admin personnel to administer first aid treatment to those who are injured during working hours, if any. Work areas are routinely checked and items deemed to be hazardous or with a potential to cause injury are immediately removed. The Company likewise is in close coordination with the building administration office to ensure that any building- |

| | |
|---|---|
| | related concern which will affect the health and safety of the personnel are immediately addressed. |
| **What are the Risk/s Identified?** | **Management Approach** |
| APO identifies the risk of the spread of the disease COVID19 which affects our country and even the whole world. | APO management complies with the protocols recommended by the World Health Organization (WHO), such as the more frequent disinfection and sanitation of its office spaces, conduct of temperature checks, and making alcohols and masks available for its employees. To reduce potential exposure of both its employees, no visitors shall be allowed to enter the Company's premises. Also, Company instituted its business continuity protocols which allowed most employees to work remotely, and the implementation of a skeletal staff and rotational staff system. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| APO is open for an opportunity of discovering new and improved ways to fight this COVID 19 pandemic. | APO management complies with the protocols recommended by the World Health Organization (WHO), such as the more frequent disinfection and sanitation of its office spaces, conduct of temperature checks, and making alcohols and masks available for its employees. To reduce potential exposure of both its employees, no visitors shall be allowed to enter the Company's premises. Also, Company instituted its business continuity protocols which allowed most employees to work remotely, and the implementation of a skeletal staff and rotational staff system. |

Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | N | - |
| Child labor | N | - |
| Human Rights | Y | APO has a Company Manual which states the procedure and guidelines for every employee. Also, it abides with the Philippine Constitution and Labor Laws to protect the rights of the employees. |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| APO gives great value to human rights and labor laws, and any violationof these will directly impact its employees. Because of that, the company has low turnover. | APO management ensures compliance with all applicable laws and regulations, including human rights and labor laws. Furthermore, the Company ensures that there are open lines of communication between its personnel and management, to ensure that the personnel's critical needs are addressed. |
| **What are the Risk/s Identified?** | **Management Approach** |
| Employees may be treated negatively by third parties. | Management shall strive to eliminate any foreseeable threats that may result to personal injuries and bullying of our employees. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| APO shall provide and maintain a safe and healthful work environment that complies with generally accepted business practices and regulatory requirements. The improvement of its employees' health and the prevention of accidents shall be the bedrock of its health and safety management system. | Management shall ensure that the health of its employees isadequately protected and that they are provided with financialassistance when they get sick or injured. |

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

APO, as an investment company primarily purchase office supplies which do not require accreditation.

Do you consider the following sustainability topics when accrediting suppliers?**Not applicable**

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---|---|---|
| Environmental performance | | |
| Forced labor | | |
| Child labor | | |

| | | |
|---|---|---|
| Human rights | | |
| Bribery and corruption | | |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| **Not applicable** | **Not applicable** |
| **What are the Risk/s Identified?** | **Management Approach** |
| **Not applicable** | **Not applicable** |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| **Not applicable** | **Not applicable** |

**Relationship with Community**

Significant Impacts on Local Communities (Not applicable)

| **Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)** | **Location** | **Vulnerable groups (if applicable)*** | **Does the particular operation have impacts on indigenous people (Y/N)?** | **Collective or individual rights that have been identified that or particular concern for the community** | **Mitigating measures (if negative) or enhancement measures (if positive)** |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: Not applicable

| **Certificates** | **Quantity** | **Units** |
|---|---|---|
| FPIC process is still undergoing | | # |

| | | |
|---|---|---|
| CP secured | | # |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| **Not applicable** | **Not applicable** |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| **Not applicable** | **Not applicable** |

**Customer Management**

*Customer Satisfaction –* ***Not applicable. The Company has no customers.***

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer satisfaction | | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| **Not applicable** | **Not applicable** |
| **What are the Risk/s Identified?** | **Management Approach** |
| **Not applicable** | **Not applicable** |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| **Not applicable** | **Not applicable** |

*Health and Safety*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | | # |
| No. of complaints addressed | | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

****APO is not engaged in production of any consumer product.***

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|

| | |
|---|---|
| Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Management Approach** |
| Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| Not applicable | Not applicable |

*Marketing and labelling*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labelling* | | # |
| No. of complaints addressed | | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

****APO is not engaged in production of any consumer product.***

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Management Approach** |
| Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| Not applicable | Not applicable |

*Customer privacy*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | | # |
| No. of complaints addressed | | # |
| No. of customers, users and account holders whose information is used for secondary purposes | | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

****APO is not engaged in production of any consumer product.***

| What is the impact and where does it occur? What is the organization’s involvement in the impact? | Management Approach |
|---|---|
| Not applicable | Not applicable |
| **What are the Risk/s Identified?** | **Management Approach** |
| Not applicable | Not applicable |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| Not applicable | Not applicable |

Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | 0 | # |

| What is the impact and where does it occur? What is the organization’s involvement in the impact? | Management Approach |
|---|---|
| APO’s Code of Conduct and Ethics states that the Company maintains privacy and confidentiality when handling financial and personal information about whom the Company has dealings, and observe the following principles:<br><br>• Collect, use, and retain only the personal information necessary for the the Company’s business. Whenever possible, obtain any relevant information directly from the person concerned. Use only reputable and reliable sources to supplement this information. Retain information only for as long as necessary or as required by law. Protect the physical security of this information.<br><br>• Limit internal access to personal information to those with a legitimate business reason for seeking that information. Use only personal information for the purposes for which it was originally obtained. Obtain the consent of the person concerned before externally disclosing any personal information, unless legal process or contractual obligation provides | This Code forms part of every one of the Company's employee's conditions of employment and for all officers and directors as well. Failure to comply with the Code can result in disciplinary action including, where appropriate, dismissal. Compliance with this Code shall be taken into account on a regular basis when assessing individual performance. Failure of contractors to comply with this Code may result in termination of the contractor's contract for services with the Company.<br><br>If any person becomes aware of a breach, or suspected breach, of this Code, they must report it immediately to their immediate Supervisor or the Corporate Secretary for action. If this is inappropriate or uncomfortable for the individual, the breach, or suspected breach, should be reported to a member of the Senior Management team or an appropriate Board Committee or Member for appropriate action. No action will be taken against any individual reporting a breach, or suspected breach, by virtue |

| | |
|---|---|
| otherwise. | of that report. Subject to any legal restriction, the name of the person disclosing the information pertaining to breach, or suspected breach, of this Code will be kept confidential. |
| **What are the Risk/s Identified?** | **Management Approach** |
| No significant risks identified for this matter. | APO may consider training of its personnel and use of the advances in technology to ensure data privacy within the organization. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| APO will find advanced ways to keep its data secure. | APO may consider training of its personnel and use of the advances in technology to ensure data privacy within the organization. |

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---|---|---|---|
| The Company, as an investments holding firm, does not have any product or service offered. | Corporate donations we made to institutions and/or organizations through their various programs that seek to promote awareness in the field of education and geoscience. | Until the company generates income from its investments, it cannot make any significant contributions to help alleviate poverty in the country. | The company will continue to find ways to foster awareness in the importance of education. Thus, helping the poor in the remote communities to have proper education. |
| | | | |
| | | | |

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*