

COVER SHEET

SEC Registration Number

C	S	2	0	0	9	0	1	2	6	9	
---	---	---	---	---	---	---	---	---	---	---	--

COMPANY NAME

P	H	R	E	S	O	R	T	S	G	R	O	U	P	H	O	L	D	I	N	G	S	,	I	N	C				
.		(F	O	R	M	E	R	L	Y		P	H	I	L	I	P	P	I	N	E		H	2	O		V	E	N
T	U	R	E	S		C	O	R	P	.)		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S	

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

2	0	t	h	F	l	o	o	r	,	U	d	e	n	n	a	T	o	w	e	r	,	R	i	z	a				
I		D	r	i	v	e	c	o	r	n	e	r	4	t	h	A	v	e	n	u	e	,	B	o	n				
i	f	a	c	i	o	G	i	l	o	b	a	l	C	i	t	y	,	T	a	g	u	i	g	C	i	t			
y																													

Form Type

1	7	-	A
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

info@phresorts.com

Company's Telephone Number

(632) 8838-1985

Mobile Number

N/A

No. of Stockholders

22

Annual Meeting (Month / Day)

3 rd Wednesday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lara Lorenzana

Email Address

lara.lorenzana@phresorts.com

Telephone Number/s

(632) 8838-1985

Mobile Number

N/A

CONTACT PERSON's ADDRESS

20th Flr. Udenna Tower, Rizal Drive cor. 4th Ave. Bonifacio Global City, Taguig City 1634

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

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PH Resorts Group Holdings, Inc.
20th Floor, Udenna Tower
Rizal Drive corner 4th Avenue
Bonifacio Global City
Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the parent company financial statements of PH Resorts Group Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 audits of the parent company 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements which indicates that for the years ended December 31, 2020 and 2019, the Company incurred net loss of ₱214.1 million and ₱163.9 million, respectively, resulting to a deficit of ₱184.5 million as of December 31, 2020 and retained earnings of ₱29.7 million as of December 31, 2019. The Company's current liabilities exceeded its current assets by ₱210.3 million and ₱58.4 million as at December 31, 2020 and 2019, respectively. These conditions, along with other matters as discussed in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Our opinion is not modified in respect of this matter.



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

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

In preparing the parent company financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Company to cease to continue as a going concern.



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

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.

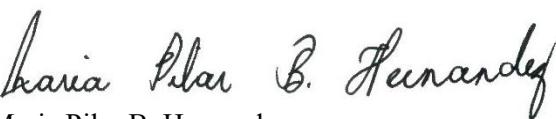
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 21 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PH Resorts Group Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Maria Pilar B. Hernandez.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez
Partner
CPA Certificate No. 105007
SEC Accreditation No. 1558-AR-1 (Group A),
February 26, 2019, valid until February 25, 2022
Tax Identification No. 214-318-972
BIR Accreditation No. 08-001998-116-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534306, January 4, 2021, Makati City

April 19, 2021



PH RESORTS GROUP HOLDINGS, INC.

(Formerly Philippine H2O Ventures, Corp.)

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash in banks (Note 5)	₱3,624,200	₱3,635,391
Advances to related parties (Note 6)	137,911,606	139,462,017
Other current assets	132,292	9,978,562
Total Current Assets	141,668,098	153,075,970
Noncurrent Assets		
Investments in subsidiaries (Note 7)	4,550,000,000	4,550,000,000
Deposit for future stock acquisition (Note 6)	6,149,358,593	5,182,278,271
Right-of-use asset (Note 9)	49,404,942	63,354,573
Property and equipment - net (Note 8)	26,212,241	61,800
Other noncurrent assets	10,331,132	10,899,556
Total Noncurrent Assets	10,785,306,908	9,806,594,200
TOTAL ASSETS	₱10,926,975,006	₱9,959,670,170
LIABILITIES AND EQUITY		
Current Liabilities		
Advances from related parties (Note 6)	₱278,300,170	₱180,460,127
Accounts payable and other current liabilities (Notes 6 and 10)	60,869,617	12,840,940
Current portion of lease liability (Note 9)	12,804,998	18,136,478
Total Current Liabilities	351,974,785	211,437,545
Noncurrent Liabilities		
Advances from related parties (Note 6)	2,335,514,021	2,285,374,058
Lease liability - net of current portion (Note 9)	41,123,604	53,928,601
Deferred tax liability (Note 13)	46,251,371	7,007,953
Total Noncurrent Liabilities	2,422,888,996	2,346,310,612
Total Liabilities	2,774,863,781	2,557,748,157
Equity		
Capital stock (Notes 1 and 12)	6,929,576,027	4,793,266,504
Additional paid-in capital (Note 12)	1,407,028,663	–
Deposit for future stock subscription (Note 11)	–	2,579,000,000
Retained earnings (Deficit) (Note 12)	(184,493,465)	29,655,509
Total Equity	8,152,111,225	7,401,922,013
TOTAL LIABILITIES AND EQUITY	₱10,926,975,006	₱9,959,670,170

See accompanying Notes to Parent Company Financial Statements.



PH RESORTS GROUP HOLDINGS, INC.

(Formerly Philippine H2O Ventures, Corp.)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
OPERATING EXPENSES		
Professional fees	₱82,684,933	₱51,942,813
Depreciation and amortization (Notes 6, 8 and 9)	22,495,510	6,636,707
Listing and filing fees	6,928,348	280,000
Rentals	6,057,651	1,817,200
Taxes and licenses	1,138,252	16,567,075
Utilities	389,842	1,308,585
Repairs and maintenance	99,008	233,469
Representation and entertainment	84,805	696,914
Outside services	57,472	—
Transportation and travel	12,857	9,192,531
Office supplies	12,180	486,367
Advertising	—	1,584,061
Per diem allowance	—	294,829
Freight and postage	—	1,091
Others	351,767	108,433
	120,312,625	91,150,075
OTHER INCOME (EXPENSES)		
Interest expense (Notes 6 and 9)	(185,581,124)	(89,149,864)
Foreign exchange gains - net	130,957,398	23,406,054
Interest income (Note 5)	53,437	36,081
Bank charges	(11,315)	(3,676)
	(54,581,604)	(65,711,405)
LOSS BEFORE INCOME TAX	(174,894,229)	(156,861,480)
PROVISION FOR INCOME TAX (Note 13)		
Current	11,327	7,152
Deferred	39,243,418	7,007,953
	39,254,745	7,015,105
NET LOSS	(214,148,974)	(163,876,585)
COMPREHENSIVE INCOME		
TOTAL COMPREHENSIVE LOSS	(₱214,148,974)	(₱163,876,585)
LOSS PER SHARE (Note 16)	(₱0.0429)	(₱0.0342)

See accompanying Notes to Parent Company Financial Statements.



PH RESORTS GROUP HOLDINGS, INC.

(Formerly Philippine H2O Ventures, Corp.)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock (Notes 1, 7 and 12)	Additional Paid-in Capital (Notes 1, 7 and 12)	Deposit for Future Stock Subscription (Notes 6 and 11)	Subscription Receivables (Note 12)	Retained Earnings (Deficit) (Note 12)	Total
Balance as at December 31, 2019	₱4,793,266,504	₱—	₱2,579,000,000	₱—	₱29,655,509	₱7,401,922,013
Deposit received (Note 12)	—	—	254,000,000	—	—	254,000,000
Issued capital stock (Note 12)	2,136,309,523	1,407,028,663	(2,833,000,000)	—	—	710,338,186
Total comprehensive loss	—	—	—	—	(214,148,974)	(214,148,974)
 Balance at December 31, 2020	 ₱6,929,576,027	 ₱1,407,028,663	 ₱—	 ₱—	 (₱184,493,465)	 ₱8,152,111,225
 Balance as at December 31, 2018	 ₱4,793,266,504	 ₱—	 ₱—	 (₱406,376,691)	 ₱193,532,094	 ₱4,580,421,907
Deposit for subscription	—	—	2,579,000,000	—	—	2,579,000,000
Collections	—	—	—	406,376,691	—	406,376,691
Total comprehensive loss	—	—	—	—	(163,876,585)	(163,876,585)
 Balance at December 31, 2019	 ₱4,793,266,504	 ₱—	 ₱2,579,000,000	 ₱—	 ₱29,655,509	 ₱7,401,922,013

See accompanying Notes to Parent Company Financial Statements.



PH RESORTS GROUP HOLDINGS, INC.

(Formerly Philippine H2O Ventures, Corp.)

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱174,894,229)	(₱156,861,480)
Adjustments for:		
Interest expense (Notes 6 and 9)	185,581,124	89,149,864
Unrealized foreign exchange gains	(130,958,764)	(23,359,843)
Depreciation and amortization (Notes 6, 8, and 9)	22,495,510	6,636,707
Interest income (Note 5)	(53,437)	(36,081)
Loss before working capital changes	(97,829,796)	(84,470,833)
Decrease (increase) in other current assets	886,270	(5,957,557)
Increase in accounts payable and other current liabilities	20,264,769	4,443,081
Net cash used in operations	(76,678,757)	(85,985,309)
Income taxes paid (Note 13)	(11,327)	(7,152)
Net cash used in operating activities	(76,690,084)	(85,992,461)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deposit for future stock acquisition (Note 6)	(967,080,322)	(5,182,278,271)
Acquisition of property and equipment (Notes 8 and 17)	(21,500)	(74,160)
Increase (decrease) in:		
Other noncurrent assets	–	(11,130,322)
Advances to related parties (Note 6)	1,550,411	(88,920,370)
Interest received (Note 5)	53,437	36,081
Net cash used in investing activities	(965,497,974)	(5,282,367,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 12)	756,000,000	–
Increase in deposit for future stock subscription (Note 12)	254,000,000	2,579,000,000
Advances from related parties (Notes 6 and 17)	77,840,043	2,349,028,017
Share issuance costs (Note 12)	(45,661,814)	–
Collection of subscription receivables (Notes 6 and 12)	–	406,376,691
Net cash generated from financing activities	1,042,178,229	5,334,404,708
NET DECREASE IN CASH	(9,829)	(33,954,795)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,362)	150,093
CASH IN BANKS AT BEGINNING OF YEAR	3,635,391	37,440,093
CASH IN BANKS AT END OF YEAR (Note 5)	₱3,624,200	₱3,635,391

See accompanying Notes to Parent Company Financial Statements.



PH RESORTS GROUP HOLDINGS, INC.

(Formerly Philippine H2O Ventures, Corp.)

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. General Information

Corporate Information

PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp. “PH Resorts”, “the Company” or “H2O”) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 30, 2009. The common shares of the Company are listed and traded in the Philippine Stock Exchange (PSE). The registered office address of the Parent Company is at 20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City.

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

- Change of corporate name from Philippine H2O Ventures Corp. to PH Resorts Group Holdings, Inc.
- Change the primary purpose of H2O from “to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrant, debentures, notes, evidences of indebtedness, and other securities and obligations of any corporation or corporations, associations, domestic or foreign, for whatever lawful to pay therefore stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of Revised Securities Act” to “to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest”.
- Change of registered principal office address from 4th Floor, 20 Lansbergh Place Bldg., 170 Tomas Morato, Quezon City to GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines, 2023.
- Change the number of directors from seven to nine.
- Increase in authorized capital stock from ₱500.0 million, consisting of 500.0 million common shares with a par value of ₱1.00 per share to ₱8,000.0 million consisting of 8,000.0 million common shares with a par value of ₱1.00 per share (see Note 12).



Change in Capital Structure and Ownership of PH Resorts

On December 19, 2017, the Company was notified by Jolliville Holdings Corporation (JHC, former parent company of H2O) that the latter along with its subsidiaries and related parties will be selling all their shareholdings in the Company representing 62.006% of the issued and outstanding capital of the Company to Udenna Development Corporation (UDEVCO), or to any of the latter's subsidiaries or affiliates (the H2O Sale). One of the conditions to the H2O Sale is the implementation and completion by H2O of a spin-off by selling all of its existing business and assets, including shares and interest in its subsidiaries. The Company shall also collect all receivables, settle all its obligations, assign its contractual interests, transfer or reassign all of its employees and settle and dissolve its retirement fund.

On February 21, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp, "TPC", a wholly-owned subsidiary of JHC), entered into a purchase agreement, subject to conditions, with the Company to purchase the latter's shares and interests, in Calapan Waterworks Corporation (CWWC) consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a total consideration of ₱442.0 million. On April 4, 2018, the Company's stockholders approved the CWWC sale. On June 1, 2018, the Company sold all of its shares and interests in CWWC to Tubig Pilipinas Corp. Accordingly, the Company lost its control over CWWC.

On February 28, 2018, JHC and UDEVCO entered into a Share Purchase Agreement (SPA) to acquire 150,824,890 common shares representing 62.006% of the issued and outstanding common shares of H2O for a total purchase price of ₱647.9 million or ₱4.30 per share under the terms and conditions set forth in the SPA. On April 25, 2018, UDEVCO subsequently assigned all of its rights and obligations under the SPA to Udenna Corporation (Udenna, Parent Company), a company incorporated in the Philippines. H2O will become a holding company for the tourism-related businesses of Udenna.

From April 30, 2018 to May 29, 2018, the tender offer commenced for the remaining 92,416,614 common shares, representing approximately 37.994% of the issued and outstanding common shares of H2O. Udenna conducted a tender offer for the remaining common shares. No other shareholders tendered their shares.

On June 1, 2018, upon completion of the tender offer and fulfillment of the conditions as provided in the SPA, the common shares of H2O were transferred to Udenna through a special block sale in PSE. Accordingly, on the same date, the Company became a subsidiary of Udenna. All the assets and liabilities as of May 31, 2018 of the subsidiaries of the Company were disposed through spin-off on June 1, 2018 as part of the conditions set forth in the SPA.

From June 13 to July 3, 2018, Udenna acquired additional 19,457,486 shares through a special block sale in Philippine Stock Exchange (PSE), effectively owning additional 7.994% ownership in H2O. After this transaction, total Udenna's ownership of H2O stood at 70%.

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

On the same date, Udenna and PH Resorts also executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 455,346,000 shares of PH Travel, representing its 91.07% interest ownership, to PH Resorts in exchange for the issuance of 4,143,648,309 shares of PH Resorts to be issued at ₱1.00 par value per share for a total share swap consideration of ₱4,143.6 million (Share Swap Consideration). The Ultimate Parent Company shall apply the share swap consideration in payment of its subscription to the additional shares in the capital stock of PH Resorts to be issued at the price of ₱1.00 per share from the proposed increase in the authorized capital stock of PH Resorts.



On December 10, 2018, the SEC approved the amendments in the Company's AOI. The issuance of 4,143,648,309 shares of the Company was made on December 26, 2018 and on the same date, the assignment of shares and equity share swap transaction became effective. Consequently, as at December 26, 2018, PH Travel became a legal subsidiary of PH Resorts.

The parent company financial statements were authorized for issue in accordance with a resolution of the BOD on April 19, 2021.

Status of Operations

For the years ended December 31, 2020 and 2019, the Company incurred net loss of ₱214.1 million and ₱163.9 million, respectively, resulting to a deficit of ₱184.5 million as of December 31, 2020 and retained earnings of ₱29.7 million as of December 31, 2019. The Company's current liabilities exceeded its current assets by ₱210.3 million and ₱58.4 million as at December 31, 2020 and 2019, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

In November 2020, the Company successfully conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). According to the Lead Underwriter and Issue Manager, Unicapital, Inc., and Co-Lead Underwriter Abacus Capital and Investment Corporation, the issue was more than 2.5x oversubscribed. The offer was priced at ₱1.68 per share and the shares were listed on the PSE on November 5, 2020. The Company received ₱756.0 million in gross proceeds from the offer.

The Company and its subsidiaries have ongoing plans for suitable financing and capital raising options. Management believes that considering the progress of the steps undertaken to date, these capital raising plans are feasible and will generate sufficient cash flows to enable the Company and its subsidiaries to meet their obligation when they fall due and address their liquidity requirements to support their operations and the completion and expansion of their projects. As such, the accompanying financial statements have been prepared on a going concern basis of accounting.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The parent company financial statements have been prepared under the historical cost basis and are presented in Philippine peso, its functional currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine SEC.

The accompanying parent company financial statements are the Company's separate financial statements prepared in compliance with PAS 27, *Separate Financial Statements*. These financial statements are prepared for submission to the Philippine SEC and Bureau of Internal Revenue (BIR). The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements in accordance with PFRS. These are filed with and may be obtained from the Philippine SEC or the Company's registered business address.



3. Summary of Significant Accounting Policies

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year or period, except that the Company has adopted these new accounting pronouncements discussed in the succeeding section starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

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 on our future business combinations.

- *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 definition used across PFSSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

- *Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.



- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2020.

New Standards and Interpretation Issued but not yet effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*



- Annual Improvements to PFRSs 2018-2020 Cycle
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company statements of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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 by the Company.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company 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 parent company financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

- *Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company 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
 - 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 Company 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 Company 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 (SPPI) on the principal amount outstanding.

- *Business Model.* The Company'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 Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company 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 Company'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 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 effective interest rate (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 parent company statement of comprehensive 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 credit and impairment losses" in the parent company statement of comprehensive income.

The Company has financial assets at amortized cost consisting of cash in banks, and advances to related parties.

- *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 Company 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 Company 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 Company'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 Company; and,
- the amount of the dividend can be measured reliably.

The Company does not have any financial assets under this category.

- *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 parent company statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company 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 Company, 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 Company does not have any financial assets under this category.

- *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 Company 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.

The Company's financial liabilities at amortized cost consist of accounts payable and other current liabilities, advances from related parties and lease liability.



A financial liability may be designated at FVTPL 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 Company'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.

The Company does not have any financial assets under this category.

Reclassifications of Financial Instruments. The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and,
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derecognition of Financial Instruments

- *Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when, and only when:
 - the contractual rights to the cash flows from the financial asset expire, or,
 - the Company transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which it either (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Company has not retained control.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and,
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.



Where the Company 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 has transferred control of the asset, the asset is recognized to the extent of the Company’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 original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

- *Modification of Contractual Cash Flows.* When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

- *Financial Liabilities.* A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where 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 parent company statement of income.

Offsetting Financial Instruments. Financial instruments are offset and the net amount reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the parent company statement of financial position.

Impairment of Financial Assets

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

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



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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

If a future write-off is later recovered, the recovery is credited to interest expense in the parent company statement of comprehensive income.

The standard introduces the single, forward-looking “expected loss” impairment model, replacing the “incurred loss” impairment model under PAS 39.

The Company recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and,
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and,
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.



Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company 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', or when the exposure is less than 30 days past due.

Determination of the stage for impairment. At each reporting date, the Company 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 Company 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.

Cash in Banks

Cash includes cash in bank and earns interest at prevailing bank deposit rates. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.



Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

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

Other Current Assets

Other current assets include advances to suppliers, input value-added tax, and creditable withholding taxes. Other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset.

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

Expenses and assets are recognised net of the amount of sales tax, except:

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the parent company statement of financial position.

Investments in Subsidiaries

A subsidiary is an entity which the Company has control. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls the investee when it is exposed, or has rights, to variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if, and only if, the investee has all the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

Investments in subsidiaries are accounted for and presented at cost less any impairment in value. Under the cost method, the Company recognizes dividend income from the investment only to the extent that the Company receives distributions, or right to receive the dividend has been established, from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction from the cost of investment.

The carrying value of investments in subsidiaries is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The indicators of impairment include: (a) dividends declared by the subsidiary exceeds its total comprehensive income, (b) market value of the shares of stock of the subsidiary exceeds the carrying amount of the investment, and (c) the



carrying amount of the investment exceeds the Company's share in the net assets of the investee company. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount is the greater of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An investment in a subsidiary is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the parent company statement of comprehensive income in the year the investment is derecognized.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation, amortization and any accumulated impairment.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Cost includes interest related to the financing of property and equipment during the construction period. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged against income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation and amortization, recognition of which commences when the asset becomes available for its intended use, are computed on a straight-line basis over the following estimated useful lives:

Leasehold improvements	1 year
Right-of-use assets	5 years

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



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

Equity

Capital Stock. Capital stock is measured at par value of the shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to additional paid-in capital. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Additional paid-in capital. Additional paid-in capital pertains to proceeds and/or fair value of considerations received in excess of par value, if any, net of the transaction costs incurred as stock issuance costs.

Deposit for Future Stock Subscription. Deposit for future stock subscription represents payments made on subscription of shares which cannot be directly credited to 'Capital stock' due to pending registration with the Securities and Exchange Commission (SEC) for the proposed increase in authorized capital stock.

Subscription Receivables. Subscription receivables are treated as deduction in the subscribed capital stock and presented as a separate line item in equity.

Retained Earnings (Deficit). Retained earnings (deficit) represents the accumulated profits and losses, net of any dividend declaration and other adjustments, such as incremental costs directly attributable to the issuance of new shares incurred in excess of additional paid-in capital.

Costs and Expenses

Costs and expenses are recognized when incurred. These are measured at the fair value of the consideration paid or payable.

Leases

a. Company as lessor

Operating lease. Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance lease. A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its parent company statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.



b. Company as lessee

Right-of-use assets. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Income Tax

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

Deferred Income Tax. Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences but only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.



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

Earnings per Share (EPS)

EPS is determined by dividing net profit for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

Segment Reporting

PH Resorts Holdings, Inc. and Subsidiaries (collectively referred to as the “Group”) operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 18 to the parent company financial statements.

Provisions

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

Contingencies

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

Events After the Reporting Period

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

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements. The judgments, estimates and assumptions used in the parent company financial statements are based upon management’s evaluation of relevant facts and circumstances that are believed to be reasonable as of the date of the comparable financial statements. While the Company believes that the assumptions are reasonable and appropriate, differences in the actual experience or changes in the assumptions may materially affect the estimated amounts. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.



Judgement

In the process of applying the Company'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 parent company financial statements:

Assessment of going concern. For the years ended December 31, 2020 and 2019, the Company incurred net loss of ₦214.1 million and ₦163.9 million, respectively, resulting to a deficit of ₦184.5 million as of December 31, 2020 and retained earnings of ₦29.7 million as of December 31, 2019. The Company's current liabilities exceeded its current assets by ₦210.3 million and ₦58.4 million as at December 31, 2020 and 2019, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

In November 2020, PH Resorts successfully conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). According to the Lead Underwriter and Issue Manager, Unicapital, Inc., and Co-Lead Underwriter Abacus Capital and Investment Corporation, the issue was more than 2.5x oversubscribed. The offer was priced at ₦1.68 and the shares were listed on the PSE on November 5, 2020. The Company received ₦756.0 million in gross proceeds from the offer. The Company and its subsidiaries have ongoing plans for suitable financing and capital raising options. Management believes that considering the progress of the steps undertaken to date, these capital raising plans are feasible and will generate sufficient cash flows to enable the Company and its subsidiaries to meet their obligation when they fall due and address their liquidity requirements to support their operations and the completion and expansion of their projects. As such, the accompanying financial statements have been prepared on a going concern basis of accounting.

Determination of lease term of contracts with renewal and termination options – Company as a lessee. The Company has only one contract for the lease of an office space with a term of 5 years, renewable for another 5 years, subject to mutual agreement of both parties. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company did not consider the renewal period in determining the lease term.

Estimates and Assumptions

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

Leases - Estimating the incremental borrowing rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liability amounted to ₦53.9 million and ₦72.1 million as of December 31, 2020 and 2019, respectively (see Notes 6 and 9).



Determination of Fair Value of Financial Instruments. Where the fair value of financial assets and liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of financial assets and financial liabilities are disclosed in Note 15.

Estimation of probable losses on input VAT. The Company estimates the level of provision for probable losses on input VAT based on the probability that the input VAT may be used in the future, taking into consideration the prescription period within which the Company can apply for a tax refund or tax credit. The carrying value of the input VAT (included under “Other noncurrent assets”) amounting to ₦1.3 million as at December 31, 2020 and 2019 is assessed by management to be recoverable as the Company is expected to have an active participation in its subsidiaries’ management.

5. Cash in Banks

As of December 31, 2020 and 2019, the Company’s cash in banks amounted to ₦3.6 million. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash in banks amounted to ₦0.05 million in 2020 and ₦0.04 million in 2019.

6. Related Party Transactions

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

Approval requirements and limits on the amount and extent of related party transactions

Material related party transactions (MRPT) refers to any related party transaction either individually or over a twelve (12)-month period, amounting to ten percent (10%) or higher of the total assets.

All individual MRPT shall be approved by the majority vote of the BOD. Directors with personal interest in the transaction shall abstain from discussions and voting on the same.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. The impairment on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Company that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would need to be set to 100%. For the years ended December 31, 2020 and 2019, the Company has not recorded any impairment of receivables on amounts owed by the related parties.



The Company, in the normal course of business, has transactions with the following companies which have common members of BOD and stockholders as the Company:

Relationship	Name
Parent Company	Udenna Corporation
Subsidiaries	PH Travel and Leisure Holdings Corp. Lapulapu Leisure Inc. (L3) Donatela Hotel Panglao Corp. Donatela Resorts and Development Corp. Clark Grand Leisure Corp. Davao PH Resort Corp. CD Treasures Holdings Corp. CGLC Cultural Heritage Foundation, Inc. Lapulapu Cultural Heritage Foundation, Inc.
Affiliates under Common Control	Emerald Development Holdings Limited
Former Parent Company	JHC
Former Subsidiaries	CWWC Metro Agoo Waterworks Inc. (MAWI)

The parent company statements of financial position include the following amounts with respect to the balances with related parties:

	Amount/Volume of Transaction		Outstanding Receivable (Payable)		Terms & Conditions
	2020	2019	2020	2019	
Parent Company	₱-	₱3,537,244	(₱793,927)	(₱793,927)	Unsecured; Noninterest-bearing; due and demandable
Cash advances from a related party (a)					
Subsidiaries	10,215,791	88,920,370	137,911,606	139,462,017	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances to related parties (b)					
Cash advances from a related party (c)	125,970,363	129,226,538	(277,506,244)	(179,666,200)	Unsecured; Noninterest-bearing; not impaired; due and demandable
Entities under Common Control					
Cash Advances from a related party (d)	–	2,221,750,869	(2,335,514,021)	(2,285,374,058)	Unsecured; Interest-bearing; with term
Leases (e) (i)	18,136,478	8,560,496	(53,928,601)	(72,065,079)	Unsecured; Noninterest-bearing; due and demandable
Deposit for future stock acquisition (f) (ii)	967,080,322	5,182,278,271	6,149,358,593	5,182,278,271	Unsecured; Noninterest-bearing; due and demandable
Payments for future stock acquisition					
Deposit for future stock subscription (g) (iii)	254,000,000	2,579,000,000	–	(2,579,000,000)	Non-refundable
Deposit received for future stock subscription					

i. Presented under "Accounts payable and other current liabilities" under Current Liabilities section of the parent company statements of financial position.

ii. Presented under "Deposit for future stock acquisition" under the Noncurrent Assets section of the parent company statements of financial position.

iii. Presented under "Deposit for future stock subscription" under the Equity section of the parent company statements of financial position.

a. As discussed in Notes 1 and 12, Udenna and PH Resorts executed a deed of assignment on June 27, 2018 wherein Udenna assigned, transferred and conveyed 100% equity interests of Udenna in PH Travel consisting of 500,000,000 issued and outstanding common shares with a par value of ₱1.00 per share in exchange for (a) 4,143,648,309 shares with a par value of ₱1.00 per share to be issued by the Company to Udenna out of the Company's increase in authorized capital stock, and (b) cash of ₱406.4 million.

On August 3, 2018, the Company paid the cash consideration amounting to ₱406.4 million. Upon the effectivity of the equity share swap on December 26, 2018, the total consideration of ₱4.55 billion was recorded in the investment in subsidiaries account in the parent company statement of financial position as at December 31, 2020 and 2019.



b. Advances to related parties

The Company granted advances to its related parties for working capital and financing purposes.

c. Advances from related parties

The Company obtained advances from its related parties for working capital and investing purposes.

d. Interest-bearing advances from related parties

On October 17, 2019, the Company obtained an advance of US\$42.5 million from Emerald, an offshore entity wholly-owned by Udenna. The proceeds of the advance were used to fund the ongoing construction of The Emerald Bay. The principal and interest totaling \$60.3 million was originally due in 2021. On December 28, 2020, the Company and Emerald agreed to extend the payment of the advance to April 30, 2022. In accordance with PFRS, the Company recalculated the present value of the principal and interest using the extended term and as a result, the present value of the loan decreased by \$4.7 million (see Note 15). The difference between the carrying value and the present value of the advance using the extended term was adjusted against capitalized interest cost. As of December 31, 2020 and 2019, advance from a related party amounted to ₦2.3 million and ₦2.2 million, respectively.

Interest expense incurred on these cash advances amounted to ₦181.1 million in 2020 and ₦86.8 million in 2019.

e. Leases

On July 10, 2019, the Company entered into a lease agreement with an affiliate for the lease of office space and parking slots. The lease agreement is for a period of 5 years counted from the lease commencement date on July 15, 2019 until July 14, 2024 subject to renewal for another 5 years upon mutual agreement of the parties. The Company shall pay a monthly aggregate of ₦1,400 per square meter per month and ₦6,000 per parking slot per month with a yearly escalation rate of five percent (5%).

The estimated annual minimum rentals under this lease agreement as of December 31, 2020 are shown below:

Period	Amount
Within one year	₦16,433,486
More than 1 year to 2 year	17,255,159
More than 2 years to 3 years	18,117,917
More than 3 years to 4 years	9,279,909
More than 5 years	—
	₦61,086,471



As of December 31, 2020 and 2019, lease liabilities amounted to ₱53.9 million and ₱72.1 million, respectively. Amortization expense of right-of-use assets amounted to ₱13.9 million in 2020 and ₱6.4 million in 2019. Interest expense on lease liabilities amounted to ₱4.5 million in 2020 and asset ₱2.3 million in 2019 (see Note 9).

f. Deposit for future stock acquisition

In 2020 and 2019, the Company paid PH Travel for deposit for future acquisition of stock. As of December 31, 2020 and 2019, deposit for future acquisition of stock amounted to ₱6,149.4 million and ₱5,182.3 million, respectively.

g. Deposit for future stock subscription

As of December 31, 2020 and 2019, the Company received a deposit for future stock subscription from the Ultimate Parent Company. On December 4, 2020, a share subscription agreement was executed between the Company and the Ultimate Parent Company for the total amount of deposits received (see Notes 11 and 12).

From the total proceeds of the deposits of ₱2.8 billion, the Company paid ₱1.6 billion to an entity under common control for the acquisition of LLC. On October 14, 2019, the Deed of Absolute Sale on the common shares of stock of LLC was executed. LLC owns the land where Emerald Bay is located.

On December 4, 2020, this deposit was converted into 1.7 billion common shares with a subscription price of ₱1.68/share through a subscription agreement entered by the Company and Udenna Corporation (see Note 12).

h. Compensation and Other Benefits of Key Management Personnel

Management of the Company is being handled by L3 at no cost to the Company as of and for the years ended December 31, 2020 and 2019.

7. Investments in Subsidiaries

As at December 31, 2020 and 2019, the Company owned 100% of stockholdings of PH Travel. Details are as follow:

	Nature of Business	Dates of Incorporation	Effective Percentage of Ownership	
			2020	2019
PH Travel	Holding company	January 3, 2017	100	100
Lapu-Lapu Leisure, Inc.*	Hotels, casino and gaming	January 25, 2017	100	100
Clark Grand Leisure Corp.*	Hotels, casino and gaming	April 3, 2018	100	100
Donatela Hotel Panglao Corp.*	Hotel and recreation	November 7, 2017	100	100
Donatela Resorts and Development Corp.*	Hotel and recreation	March 7, 2018	100	100
Davao PH Resort Corp.*	Hotel and recreation	March 8, 2018	100	100
CD Treasures Holdings Corp.*	Holding company	February 27, 2018	100	100
Davao PH Resort Corp.*	Hotel and recreation	March 8, 2018	100	100
LapuLapu Land Corp.**	Real estate	February 14, 2017	100	100

*Entities are 100% owned by PH Travel, thus indirect subsidiaries of PH Resorts.

**Effective October 14, 2019, entity is 100% owned by LapuLapu Leisure Inc., thus indirect subsidiary of PH Resorts



8. Property and Equipment

The Company's property and equipment consist of the following:

	2020		
	Leasehold Improvements	Office furniture and Fixtures	Total
Cost			
Balance at beginning of the year	₱74,160	₱—	₱74,160
Additions during the year (see Note 17)	33,695,878	52,000	33,747,878
Balance at end of year	33,770,038	52,000	33,822,038
Accumulated Depreciation			
Balance at beginning of the year	12,360	—	12,360
Additions during the year	7,549,772	47,665	7,597,437
Balance at end of year	7,562,132	47,665	7,609,797
Net Book Value	₱26,207,906	₱4,335	₱26,212,241

	2019		
	Leasehold Improvements	Office furniture and Fixtures	Total
Cost			
Balance at beginning of the year	₱—	₱—	₱—
Additions during the year	74,160	—	74,160
Balance at end of year	74,160	—	74,160
Accumulated Depreciation			
Balance at beginning of the year	—	—	—
Additions during the year	12,360	—	12,360
Balance at end of year	12,360	—	12,360
Net Book Value	₱61,800	₱—	₱61,800

The Company has no idle and fully depreciated property and equipment still used in operations as of December 31, 2020 and 2019.

9. Right-of-Use Asset and Lease Liability

The lease liability is initially measured at the present value of the lease payments, discounted using the incremental borrowing rate of 10.04%. In 2019, the Company entered into a lease of office space (see Note 6). This was initially measured at present value using the incremental borrowing rate of 10.04% for 5 years.

The rollforward analysis of right-of-use asset is as follows:

	2020	2019
Cost		
Beginning balance	₱69,748,154	₱—
Additions (see Note 6)	—	69,748,154
Ending balance (<i>Carried Forward</i>)	₱69,748,154	69,748,154



	2020	2019
Ending balance (<i>Brought Forward</i>)	₱69,748,154	₱69,748,154
Accumulated Amortization		
Beginning balance	6,393,581	-
Amortization	13,949,631	6,393,581
Ending balance	20,343,212	6,393,581
Net Book Value	₱49,404,942	₱63,354,573

The rollforward analysis of lease liability is as follows:

	2020	2019
Beginning balance	₱72,065,079	₱-
Amortization	(22,617,513)	69,748,154
Interest expense (see Note 6)	4,481,036	2,316,925
Ending balance	53,928,602	72,065,079
Less current portion of lease liability	12,804,998	18,136,478
Lease liability - net of current portion	₱41,123,604	₱53,928,601

Gross lease liability and present value of minimum lease payments under the Company's lease agreements as of December 31, 2020 are as follows:

	Amount
Within one year	₱16,433,486
More than 1 year to 2 years	17,255,159
More than 2 years to 3 years	18,117,917
More than 3 years to 4 years	9,279,909
Total gross lease liability	₱61,086,471
Less unamortized interest expense	7,157,869
Present value of future minimum lease payments	53,928,602
Less current portion	12,804,998
Noncurrent portion	₱41,123,604

10. Accounts Payable and Other Current Liabilities

	2020	2019
Accrued expenses	₱1,072,222	₱1,072,222
Nontrade payables	57,972,994	10,096,043
Statutory payables	1,824,401	1,672,675
	₱60,869,617	₱12,840,940

Nontrade payables are normally settled within 30 to 60 days. Accrued expenses consist mainly of accrued interest and rentals which are normally settled within 30 to 60 days. Statutory payables are payable within 30 days.



11. Deposit for Future Stock Subscription

On March 26, 2019, the Company received cash amounting to ₦2.58 billion from Udenna Corporation, representing its deposit for future stock subscription. As of December 31, 2019, the deposit for future stock subscription is classified under the equity section of the parent company statement of financial position since it met the fixed for fixed requirement for equity classification under PFRS.

The Company and Udenna Corporation executed a Memorandum of Agreement (MOA) dated December 27, 2019 and agreed to execute a subscription agreement in the amount of ₦2.58 billion, within 270 days from the signing of the MOA or as soon as the Company has a third person or entity that subscribes to purchase the Company's shares that allows it to maintain its required public float of 10% after the subscription of Udenna, whichever comes earlier. The subscription made by Udenna is non-refundable.

In the first quarter of 2020, the Company received additional funds from Udenna amounting to ₦254.0 million increasing the total of Deposit for future stock subscription to ₦2.83 billion as of March 31, 2020.

On December 4, 2020, a share subscription agreement was executed between the Company and Udenna Corporation for the total amount of deposits received. Accordingly, this deposit was converted into 1.68 billion common shares with a subscription price of ₦1.68/share (see Note 7).

12. Capital Stock

The Company's common shares (at ₦1 par value per share) consist of the following:

	2020		2019	
	Number of shares	Amount	Number of shares	Amount
Authorized	8,000,000,000	₦8,000,000,000	8,000,000,000	₦8,000,000,000
Subscribed	4,793,266,504	₦4,793,266,504	4,793,266,504	₦4,793,266,504
Issuance during the year	2,136,309,523	2,136,309,523	—	—
Subscription receivables	—	—	—	(406,376,691)
Collection of subscription receivable	—	—	—	406,376,691
Issued and outstanding	6,929,576,027	₦6,929,576,027	4,793,266,504	₦4,793,266,504

On June 25, 2018, the BOD and the stockholders approved the increase in authorized capital stock from ₦500,000,000, consisting of 500,000,000 common shares with a par value of ₦1.00 per share to ₦8,000,000,000 consisting of 8,000,000,000 common shares with a par value of ₦1.00 per share.

As discussed in Notes 1 and 2, Udenna and PH Resorts executed a deed of assignment on June 27, 2018 wherein Udenna assigned, transferred and conveyed 100% equity interests of Udenna in PH Travel consisting of 500,000,000 issued and outstanding common shares with a par value of ₦1.00 per share in exchange for (a) 4,143,648,309 shares with a par value of ₦1.00 per share to be issued by the Company to Udenna out of the Company's increase in authorized capital stock, and (b) cash of ₦406.4 million.

On December 10, 2018, the SEC approved the application for increase in authorized capital stock. The issuance of 4,143,648,309 shares of PH Resorts occurred on December 26, 2018 and on the same date,



the assignment of shares and equity share swap transaction became effective. On the same date, PH Travel became a legal subsidiary of PH Resorts.

Incremental costs of ₦65.65 million directly attributable to the issuance of shares were deducted from the additional paid-in capital of ₦58.07 million. The balance of ₦7.58 million decreased retained earnings to ₦193.5 million as of December 31, 2018.

On December 21, 2018, a group of investors subscribed to 406,376,691 shares with a par value of ₦1.00 per share. The subscription receivables amounting to ₦406.4 million were fully collected as of December 31, 2019.

On November 5, 2020, the Company conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). The offer was priced at ₦1.68 and the shares were listed on the PSE on November 5, 2020. The Company received ₦756.0 million in gross proceeds from the offer.

On December 4, 2020, PH Resorts and Udenna Corporation executed a share subscription agreement for 1.69 billion common shares with a subscription price of ₦1.68/share. The issuance of common shares eliminated the ₦2.58 billion deposit for future stock subscription from Udenna.

The difference between the subscription price and the par value was recognized as additional paid-in capital.

In 2020, incremental costs directly attributable to the issuance of shares from the Company's follow-on equity offering and share subscription agreement were of ₦45.7 million and were already deducted from the additional paid-in capital presented in the parent company statement of changes in equity.

13. Income Taxes

The current provision for income tax consists of final tax on interest income.

The reconciliation between the benefit from income tax computed at statutory income tax rate and the provision for income tax as shown in net income in the parent company statement of comprehensive income follows:

	2020	2019
Benefit from income tax computed at statutory rate	(₦52,468,269)	(₦47,058,444)
Adjustments to income tax resulting from:		
Nondeductible expenses	54,627,495	26,608,506
Movement in unrecognized deferred tax assets	37,100,223	27,468,715
Interest income subjected to final tax	(4,704)	(3,672)
	₦39,254,745	₦7,015,105

As of December 31, 2020 and 2019, the Company has unrealized foreign exchange gain for which deferred tax liability of ₦46,251,371 and ₦7,007,953, respectively, was recognized. The deferred tax liabilities were measured using the appropriate corporate income tax rate in the year these are expected to be reversed or settled.



The Company did not recognize deferred tax assets since management believes that it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized:

	2020	2019
Unrecognized deferred tax assets:		
NOLCO	₱88,271,626	₱49,915,349
Net lease liability	1,357,098	2,613,152
	₱89,628,724	₱52,528,501

As at December 31, 2020, NOLCO of the Company for which deferred tax asset has not been recognized, can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Amount	Expired	Unused
2017	December 31, 2020	₱1,030,618	₱1,030,618	₱—
2018	December 31, 2021	81,438,414	—	81,438,414
2019	December 31, 2022	83,915,465	—	83,915,465
2020	December 31, 2025	128,884,874	—	128,884,874
		₱295,269,371	₱1,030,618	₱294,238,753

Pursuant to the “Bayanihan to Recover As One Act” and Revenue Regulation No. 25-2020 issued by the Bureau of Internal Revenue (BIR) on September 30, 2020, NOLCO incurred by the Company in taxable year 2020 can be carried over and claimed as deduction from the regular taxable income (RCIT) for the next five (5) consecutive taxable years.

14. Financial Risks Management Objectives and Policies

The Company’s principal financial instruments are cash in banks which finance the Company’s operations. The other financial assets and liabilities arising from its operations are advances from and to related parties, accounts payable and accrued expenses and lease liability.

The main risks arising from the Company’s financial instruments are credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Company’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company’s exposure to bad debts is not significant.

The table below shows the maximum exposure to credit risk for the Company’s financial assets, without taking account of any collateral and other credit enhancements:

	2020	2019
Cash in banks	₱3,624,200	₱3,635,391
Advances to related parties	137,911,606	139,462,017
Total credit risk exposure	₱141,535,806	₱143,097,408

The financial assets of the Company are neither past due nor impaired and have high probability of collection.



Credit Quality per Class of Financial Asset. The credit quality of financial asset is being managed by the Company using internal credit ratings. The table below shows the maximum exposure to credit risk for the Company's financial instruments by credit rating grades:

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit-impaired	Total
High grade	₱3,624,200	₱-	₱-	₱-	₱3,624,200
Medium grade	137,911,606	-	-	-	137,911,606
Standard grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	141,535,806	-	-	-	141,535,806
Loss allowance	-	-	-	-	-
Carrying amount	₱141,535,806	₱-	₱-	₱-	₱141,535,806

	2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit-impaired	Total
High grade	₱3,635,391	₱-	₱-	₱-	₱3,635,391
Medium grade	139,462,017	-	-	-	139,462,017
Standard grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	143,097,408	-	-	-	143,097,408
Loss allowance	-	-	-	-	-
Carrying amount	₱143,097,408	₱-	₱-	₱-	₱143,097,408

Financial assets classified as “high grade” are those cash transacted with reputable local banks and financial assets with no history of default on the agreed contract terms. “Medium grade” includes those financial assets with no history of default on the agreed contract terms but require collection efforts on the due dates. Financial instruments classified as “standard grade” are those financial assets with little history of default on the agreed terms of the contract.

Liquidity risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations within a reasonable period of time.

The Company seeks to manage its liquidity profile to be able to finance its investment and pay its outstanding liabilities. To cover its financing requirements, the Company uses internally generated funds and advances from affiliated companies. The Company's objectives to manage its liquidity profile are to ensure that adequate funding is available, at all times, to meet commitments as they arise without incurring unnecessary costs, and to be able to access funding when needed at the least possible cost.

Cash in banks, accounts payable and accrued expenses, and advances to and from related parties are all considered due and demandable.

The tables below summarize the maturity profile of the Company's financial liabilities. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

	2020			
	Due and Demandable	Less than 1 Year	Over 1 Year	Total
Cash in banks	₱3,624,200	₱-	₱-	₱3,624,200
Advances to related parties	137,911,606	-	-	137,911,606
Total (Carried Forward)	141,535,806	-	-	141,535,806



	2020			
	Due and Demandable	Less than 1 Year	Over 1 Year	Total
Total (Brought Forward)	₱141,535,806	₱—	₱—	₱141,535,806
Accounts payable and accrued expenses*	—	59,045,215	—	59,045,215
Lease liability	—	12,804,998	41,123,604	53,928,602
Advances from related parties	278,300,170	—	2,335,514,021	2,613,814,191
	278,300,170	71,850,213	2,376,637,625	2,726,788,008
Liquidity gap	(₱136,764,364)	(₱71,850,213)	(₱2,376,637,625)	(₱2,585,252,202)

*Excluding nonfinancial liabilities of ₱1.8million.

	2019			
	Due and Demandable	Less than 1 Year	Over 1 Year	Total
Cash in banks	₱3,635,391	₱—	₱—	₱3,635,391
Advances to related parties	139,462,017	—	—	139,462,017
	143,097,408	—	—	143,097,408
Accounts payable and accrued expenses*	—	97,761,489	—	97,761,489
Lease liability	—	18,136,478	53,928,601	72,065,079
Advances from related parties	180,460,127	—	2,285,374,058	2,465,834,185
	180,460,127	115,897,967	2,339,302,659	2,635,660,753
Liquidity gap	(₱37,362,719)	(₱115,897,967)	(₱2,339,302,659)	(₱2,492,563,345)

*Excluding nonfinancial liabilities of ₱1.7million.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows from the Company's foreign currency-denominated assets and liabilities may fluctuate due to changes in foreign exchange rates. The Company continuously evaluates the movements of foreign exchange rates with the possible risk given its financial position.

The Company's objective is to keep transactional currencies at an acceptable level to its operations to minimize foreign exchange exposures. To mitigate the Company's exposure to foreign currency risk, cash flows denominated in foreign currencies are monitored and future hedging arrangements are being considered.

Information on the Company's foreign currency-denominated monetary financial assets and financial liabilities and their Peso equivalents are as follows:

	2020		2019	
	US\$ Value	Peso Equivalent	US\$ Value	Peso Equivalent
Assets				
Cash	\$522	₱25,046	\$522	₱26,409
Liabilities				
Advances from related parties	48,633,814	2,335,541,661	45,134,276	2,285,374,058
Total		(₱2,335,516,615)		(₱2,285,347,649)

As of December 31, 2020 and 2019, the closing exchange rate was ₱48.02 and ₱50.64, respectively, for each US\$.



The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Company's loss before tax (due to revaluation of monetary assets and liabilities). The change in foreign currency exchange rate is based on the change between the current year and prior year foreign exchange rates. There is no impact on equity other than those already affecting pretax loss.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Company's loss before tax (due to revaluation of monetary assets and liabilities). The change in foreign currency exchange rate is based on the change between the current year and prior year foreign exchange rates. There is no impact on equity other than those already affecting pretax loss.

	Changes in Foreign Exchange Rates	Impact on Loss Before Income	Tax
December 31, 2020	Increase by 5.16%	₱107,603,129	
	Decrease by 5.16%	(107,603,129)	
December 31, 2019	Increase by 3.70%	₱5,803,875	
	Decrease by 3.70%	(5,803,875)	

Capital Management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern, so that it can provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in light of funding needs and changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or obtain additional funding from related companies as additional paid-in capital or debt.

15. Fair Value Information

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash in banks, accounts payable and accrued expenses, and advances to and from related parties, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

Advances from related parties - noncurrent. The amount of the advances from related parties amounting to ₱2,335.5 million and ₱2,285.4 million is determined by discounting the expected cash flows using the discount rate 17.7% as of December 31, 2020 and 2019. Fair value measurement is categorized under Level 3 with significant observable inputs.

Lease Liability. The fair value of the lease liability amounting to ₱53.9 million and ₱72.1 million is determined by discounting the expected cash flows using the incremental borrowing rate of 7.4% as of December 31, 2020 and 2019, respectively.



During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 measurements.

16. Loss Per Share

Basic loss per share amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The following table presents information necessary to calculate loss per share:

	2020	2019
Net loss attributable to the equity holders of the Company	(₱214,148,974)	(₱163,876,585)
Divided by weighted average number of common shares	4,987,048,304	4,793,266,504
Loss per share	(₱0.0429)	(₱0.0342)

The Company has no dilutive potential common shares outstanding, therefore basic earnings (loss) per share is the same as diluted earnings (loss) per share.

17. Notes to Statements of Cash Flows

In 2020, the Company's noncash operating activity pertain to recognition of leasehold improvements amounting to ₱33.7 million (see Note 8).

In 2020 and 2019, the Company's noncash operating activity pertains to accrual of interest relating to its advances from Emerald amounting to ₱181.1 million and ₱86.6 million, respectively (see Note 6).

18. Segment Information

The Parent Company's identified reportable segments are consistent with the segment information presented in the Company's consolidated financial statements. Segment information is prepared on the following bases:

Business Segments

The business segments pertain mainly to hotel and restaurant activities. Assets and processes related to other business activities such as gaming are still not operational as of reporting period.

For management purposes, the Group is organized into two business activities - Hotel and restaurant and others. This segmentation is the basis upon which the Group reports its primary segment information.

Business Segment Data

Hotel and restaurant segment comprise revenues from hotel and restaurant activities and other incidental services related thereto. As at December 31, 2020 and 2019, the Parent Company is primarily engaged as a holding entity to purchase and hold investments in shares of stocks, bonds, debentures, notes, evidences of indebtedness or other securities and obligations.



The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the years ended December 31, 2020 and 2019:

	2020			
	Hotels and Restaurant	Others	Reconciliations/ Adjustments	Parent Company Balances
Revenue	₱10,759,971	₱132,685,571	(₱143,445,542)	₱-
Results:				
Direct costs and expenses	(11,927,406)	–	11,927,406	–
Operating expenses	(27,202,977)	(226,543,359)	155,929,221	(97,817,115)
Foreign exchange loss – net	–	130,643,039	314,359	130,957,398
Depreciation	(7,786,150)	(27,309,068)	12,599,708	(22,495,510)
Interest expense	(69,918,645)	(446,918,530)	331,256,051	(185,581,124)
Interest income	7,863	10,053,329	(10,007,755)	53,437
Income tax expense	273,219	(48,437,771)	8,909,807	(39,254,745)
Other non-operating expense – net	538,631	29,984,688	(30,534,634)	(11,315)
Net loss	(₱105,255,494)	(₱445,842,101)	₱336,948,621	(₱214,148,974)
Asset and liabilities				
Operating assets	₱1,517,530,147	₱36,952,251,630	(₱27,542,806,772)	₱10,926,975,006
Operating liabilities	₱308,761,779	₱11,215,453,063	(8,795,602,431)	2,728,612,410
Loans payable	967,084,417	6,972,538,525	(7,939,622,942)	–
Deferred tax liabilities	100,545,494	744,718,019	(799,012,142)	46,251,371
Total liabilities	₱1,376,391,690	₱18,932,709,607	(₱17,534,237,515)	₱2,774,863,781
	2019			
	Hotels and Restaurant	Others	Reconciliations/ Adjustments	Parent Company Balances
Revenue	₱61,718,517	₱132,685,571	(₱194,404,088)	₱-
Results:				
Direct costs and expenses	(29,335,445)	–	29,335,445	–
Operating expenses	(34,073,826)	(385,308,560)	334,869,018	(84,513,368)
Foreign exchange loss - net	–	13,848,511	9,557,543	23,406,054
Depreciation	(7,431,912)	(11,424,722)	12,219,927	(6,636,707)
Interest expense	(76,081,700)	(361,409,224)	348,341,060	(89,149,864)
Interest income	50,426	25,035,231	(25,049,576)	36,081
Income tax expense	512,978	(686,487,076)	678,958,993	(7,015,105)
Other non-operating expense - net	2,033,075	2,273,042,114	(2,275,078,865)	(3,676)
Net income (loss)	(₱82,607,887)	₱999,981,845	(₱1,081,250,543)	(₱163,876,585)
Asset and liabilities				
Operating assets	₱1,445,388,862	₱34,838,454,573	(₱26,324,173,265)	₱9,959,670,170
Operating liabilities	₱199,140,905	₱10,417,027,501	(₱8,137,493,281)	₱2,478,675,125
Loans payable	965,900,145	5,943,121,637	(6,909,021,782)	–
Lease liabilities	–	1,255,214,184	(1,183,149,105)	72,065,079
Deferred tax liabilities	80,760,359	695,093,615	(768,846,021)	7,007,953
Total liabilities	₱1,245,801,409	₱18,310,456,937	(₱16,998,510,189)	₱2,557,748,157

19. Other Matter

Covid-19. In a move to contain the COVID-19 outbreak, on March 13, 2020, 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 throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region (NCR). The community quarantine has



been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension. On February 27, 2021, the general community quarantine was extended until March 31, 2021 in selected areas including the NCR. The outbreak of COVID-19 has adversely impacted Philippine economic activity.

These measures have directly impacted the Company's business prospects due to temporary employment adjustments such as flexible work arrangements. The impact of COVID 19 on the Company's and its subsidiaries business and operations continue to evolve. The Company will continue to monitor the situation.

20. Event after Reporting Period

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023;
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

CREATE Act has no impact to the Company's December 31, 2020 parent company financial statements since the Company is still in a tax loss position and deferred tax assets are unrecognized.

This, however, will result in lower deferred tax liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱7.7 million. This reduction will be recognized in the 2021 financial statements.



21. Supplementary Tax Information under Revenue Regulations (RR) 15-2010

In compliance with RR 15-2010 issued by the BIR on November 25, 2010, mandating all taxpayers to include information on taxes, duties and license fees paid or accrued during the taxable year, presented below are the taxes paid and accrued by the Company in 2019:

a. VAT

The Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

Output VAT

The Company's revenue only pertains to interest income from bank deposits, dividend income and gain on sale of subsidiaries which are not subject to VAT pursuant to Revenue Memorandum Circular No. 4-2003; hence, no output VAT is reported during the period.

Input VAT

The Company has beginning carryover input taxes on domestic purchases of services amounting to ₱1,277,687.

b. Taxes and Licenses

Documentary stamp taxes	₱-
Registration and publication fees	1,092,752
Notarial fees	45,500
	<u>₱1,138,252</u>

c. Withholding Taxes

	Expanded Withholding Taxes
Beginning balance	₱1,672,675
Additions	4,845,156
Payments	(4,693,430)
	<u>₱1,824,401</u>

d. Deficiency Tax Assessments and Tax Cases

The Company is not involved in any tax assessments and tax cases as at and for the year ended December 31, 2020.





Michael Tejada <michael.tejada@phresorts.com>

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph>
To: MICHAEL.TEJADA@phresorts.com
Cc: MICHAEL.TEJADA@phresorts.com

Thu, Apr 22, 2021 at 9:39 AM

Hi PH RESORTS GROUP HOLDINGS, INC.,

Valid files

- EA007236853AFSTY122020.pdf
- EA007236853ITRTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-H9GDK6B0MMZPV4SSNS1212XQ0NTQZMN2**

Submission Date/Time: **Apr 22, 2021 09:39 AM**

Company TIN: **007-236-853**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

=====
DISCLAIMER
=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PH Resorts Group Holdings Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020** and **December 31, 2019**, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN M. ESCALONA
Chief Executive Officer and President

LARA C. LORENZANA
Chief Financial Officer

APR 12 2021

Signed this ____ day of ____, 2021



APR 12 2021

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20_____. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	Competent Evidence of Identity
Dennis A. Uy	TIN 172-020-135
Raymundo Martin M. Escalona	TIN 128-421-032

and that they further attest that the same true and correct.

Doc No. 408
Page No. 95
Book No. 138
Series of 2021.

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31, 2021
Star Centrum Condominium Makati City
IBP O.R No. 143536, January 4, 2021
Roll No. 28947/MCLE No. VI-0020246
PTR No. MKT 8533046/ 1/4/2021
Appointment No. M-158

Notary Public



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PH Resorts Group Holdings Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020** and **December 31, 2019**, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN M. ESCALONA
Chief Executive Officer and President

LARA C. LORENZANA
Chief Financial Officer

Signed this 12th day of April, 2021



APR 12 2021

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20____. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name

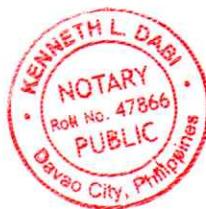
Lara C. Lorenzana

Competent Evidence of Identity

TIN 175-857-194

and that they further attest that the same true and correct.

Doc No. 496;
Page No. 101;
Book No. 116;
Series of 2021.



ATTY. KENNETH L. DABI

Notary Public for Davao City

Expires on December 31, 2022

Serial No. 2021-039-2022

PTR No. 479571 • 12/16/2020 • D.C.

IBP No. 135737 • 12/19/2020 • D.C.

Roll of Attorneys No. 47866

km. 7, Lanang, Davao City