Mabuhay Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements
As at December 31, 2019 and 2018 and
for each of the three years in the period ended December 31, 2019
(In the Notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information; status of operations

(a) Corporate information

Mabuhay Holdings Corporation (the "Parent Company") was incorporated in the Philippines on April 6, 1988 primarily to engage in the acquisition and disposal of investments in marketable securities, shares of stock and real estate properties. The Company is 29.85% owned by Asia Development Capital Co. Ltd., a company incorporated and registered in Tokyo, Japan on February 7, 1922 to engage in the sale, development, brokerage, and leasing of real estate properties. The remaining 70.15% is owned by various individuals and corporations. The Company's common shares were listed in the Philippines Stock Exchange (PSE) in 1990. Other than its share listing in 1990, there were no other share offerings subsequent thereto.

The Parent Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code when it listed its shares in the PSE in 1990.

The Parent Company's registered office and principal place of business is at 35th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

The Parent Company has 7 employees as at December 31, 2019 and 2018.

The consolidated financial statements have been approved and authorized for issue by the Board of Directors on June 25, 2020.

(b) Status of operations

The Group has incurred a consolidated net loss of P205,019,129 for the year ended December 31, 2019 (2018 - P460,376,246) which resulted in a deficit amounting to P587,193,449 (2018 - P372,020,560).

For the past years, the Group's main focus was to support the projects of its then main associate, Philippine Infradev Holdings Inc. (formerly IRC Properties Incorporated) (PIHI), by assisting it to secure funding for its residential development projects in its Binangonan Property. These projects of PIHI are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

In 2018, the Group sold a significant part of its shareholding in PIHI. The one-time effect on the sale of its shares in PIHI, which resulted in a loss on disposal of P412.82 million, contributed mainly to the consolidated net loss and deficit position of the Group.

The Group plans to use the proceeds from the sale of PIHI shares to acquire properties for rental purposes and concentrate on this as its main short-term operating activity. Management believes that this move is strategic and will be beneficial for the Group in the long run. The Group intends to become more liquid and flexible while pursuing bigger urban real property development projects together with its foreign business partners.

The following comprise the Group's short-term and long-term plans:

1. To acquire developed properties with the intention of converting such properties for lease operations;
2. To acquire properties for development and to lease these properties;
3. To acquire properties for development of affordable housing units as part of our corporate social responsibility to contribute to the housing requirements of the country;
4. To continue to retain its investment in stocks of PIHI for capital appreciation and eventual cash flows from future dividend declarations, and to invest in stocks listed in the Philippine Stock Exchange on a broader scope; and
5. To continue to retain its investment properties for appreciation, and to plan for the possible development of the prime properties.

The planned acquisitions of rental yielding properties are expected to generate sustained cash inflows to support the Group's operations. Moreover, the remaining investment in PIHI is expected to generate substantial dividend yield in the future upon completion of PIHI's real estate projects in Binangonan, and the construction and operation of the Makati Subway System under the Public-Private Partnership Program of the Makati City Government and other major projects.

The above plans will contribute to improve the results of operation of the Group in the following years. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

(c) COVID-19 assessment

In March 2020, the Philippine Government declared a community quarantine in several areas that has resulted in significant disruptions in the local business operations and trading activities in the Philippine stock exchange. The Group has suspended its normal operations based on the quarantine guidelines.

The Group considers this event to be a non-adjusting post balance sheet event. The Group has significant investments in traded equity instruments classified as financial assets at fair value through profit or loss. The market values of these traded equity instruments have been heavily affected by the pandemic and have declined more than 29 percent from December 31, 2019 valuation (Note 3). While the pandemic will have a negative impact on the Group, it is currently unable to assess the full impact on its future financial position and the results of operations. Management is of the opinion that the Parent Company's cash flows will continue to satisfy the Parent Company's current working capital requirements for the next twelve months. The Subsidiaries in the Group are currently dormant and have no significant working capital requirement.

Note 2 - Cash

Cash as at December 31 consist of:

	2019	2018
Cash on hand	15,000	15,000
Cash in bank	181,585,097	193,297,456
	181,600,097	193,312,456

Cash in bank earns interest at the prevailing bank deposit rates ranging from 0.125% to 6.75% per annum in 2019 (2018 - 0.125%). Interest income from cash in bank for the year ended December 31, 2019 amounted to P6.38 million (2018 - P0.2 million; 2017 - P26,693).

Note 3 - Financial assets at fair value through profit or loss

Movements in financial assets at fair value through profit or loss (FVPL) for the years ended December 31 are as follows:

	2019	2018
Balance as at January 1	392,936,944	1,982,245
Additions	4,410,540	481,454,801
Disposals	(1,635,947)	(2,143,482)
Loss on revaluation of securities	(171,429,440)	(88,356,620)
	224,282,097	392,936,944

The account as at December 31, 2019 and 2018 consists of listed equity shares with fair value based on current bid prices in an active market (Level 1 valuation). Changes in fair value are recorded in unrealized gain (loss) on revaluation of securities in profit or loss.

In 2018, addition amounting to P474,325,358 relates to investment in PIHI resulting divestment of Group's significant influence on PIHI (Note 6).

In 2019, the Parent Company sold listed equity shares with proceeds of P1,863,814 (2018 - P2,404,458) resulting in a gain of P227,866 (2018 - P260,977).

Note 4 - Notes receivable; subsequent event

Notes receivable (including interest) as at December 31, 2019 amounts to P60.00 million (2018 - P104.15 million).

Notes receivable represent loans granted to PIHI without definite payment terms and bear annual interest rates ranging from 12% to 18%. Total interest income currently recognized from these loans amounted to P16.64 million (2018 - P19.80 million; 2017 - P24.44 million). These loans are due and demandable.

In 2018, PIHI paid off portion of the notes receivable amounting to P105.00 million of which P60.03 million pertains to payment of interest.

During 2019, the Group and PIHI continuously engaged in several discussions for the final settlement of the outstanding principal, interest and rent receivables. There were no collections made in 2019. The Group issued its demand letters to PIHI for the full collection of the outstanding receivables. As at December 31, 2019, the Group's outstanding receivables with PIHI amounted to P120.80 million in notes and interest receivables and P3.78 million in rent receivables (Note 5) totaling P124.58 million.

On June 12, 2020, the Group and PIHI entered into a final settlement agreement wherein PIHI will pay P60.00 million on or before June 15, 2020 to settle the outstanding receivables of the Group. The settlement is considered as an adjusting subsequent event. Accordingly, the remaining uncollectible receivables portion amounting to P64.58 million were written-off for the year ended December 31, 2019. The settlement amount of P60.00 million was fully collected on June 15, 2020.

Details of the write-off are as follows:

	Amount
Notes receivable	35,676,195
Accrued interest receivable	25,115,927
Rent receivable	3,784,439
Loss on write-off of receivables	64,576,561

Movements in principal amount of notes receivable for the years ended December 31 are as follows:

	2019	2018
Balance as at January 1	94,026,873	138,993,378
Receipt of principal amount	-	(44,966,505)
Write-off	(35,676,195)	-
Balance as at December 31	58,350,678	94,026,873

Movements in accrued interest receivable for the years ended December 31 are as follows:

	2019	2018
Balance as at January 1	10,122,461	50,357,635
Interest income	16,642,788	19,798,321
Write-off	(25,115,927)	-
Interest received	-	(60,033,495)
Balance as at December 31	1,649,322	10,122,461

Note 5 - Other current assets

	Notes	2019	2018
Advances to third parties		3,114,272	1,861,483
Prepayments		2,718,180	2,678,997
Advances to employees		283,000	218,252
Due from related parties	16	209,676	180,290
Rent receivable	4,17	-	2,934,745
Other receivables	4	880,024	2,456,600
		7,205,152	10,330,367

Prepayments mainly comprise of prepaid taxes and insurance.

Other receivables pertain to communication, utilities, repairs and maintenance billed to its tenants.

Note 6 - Investment in an associate

Details of the account as at December 31, 2018, which pertains to the investment in shares of stock of PIHI, are as follows:

	Amount
Acquisition cost	
Cost at January 1	635,157,306
Disposal	(386,921,034)
Reclassification	(248,236,272)
Balance at December 31	-
Accumulated share in net income	
Balance at January 1	667,400,794
Share in net earnings	7,517,176
Disposal	(381,451,590)
Reclassification	(293,466,380)
Balance at December 31	-
Allowance for impairment loss	
Balance at January 1	(158,705,119)
Disposal	89,697,301
Reclassification	69,007,818
Balance at December 31	-
Total	-

In 2018, the Group sold 222,200,000 PIHI shares for P284.83 million, resulting in a net loss on disposal amounting to P412.82 million (net of applicable charges). The sale of PIHI shares resulted in a decrease in the Group's interests in PIHI to 11.40%. The decrease in ownership resulted in the transfer of the investment in an associate to financial assets at FVPL (Note 3).

Note 7 - Property and equipment, net

Details and movements of property and equipment as at and for the year ended December 31 are as follows:

	Office condominium	Building improvements	Office equipment	Transportation equipment	Communication and other equipment	Furniture and fixtures	Total
Cost							
January 1, 2018	13,746,305	3,859,242	760,592	5,339,911	185,182	1,662,116	25,553,348
Additions	-	-	-	2,190,179	-	-	2,190,179
December 31, 2018 and 2019	13,746,305	3,859,242	760,592	7,530,090	185,182	1,662,116	27,743,527
Accumulated depreciation							
January 1, 2018	13,110,190	3,321,480	671,075	5,288,052	171,427	1,662,116	24,224,340
Charges during the year	508,908	379,597	28,220	267,967	2,949	-	1,187,641
December 31, 2018	13,619,098	3,701,077	699,295	5,556,019	174,376	1,662,116	25,411,981
Charges during the year	127,207	158,165	23,013	450,482	2,947	-	761,814
December 31, 2019	13,746,305	3,859,242	722,308	6,006,501	177,323	1,662,116	26,173,795
Net book values							
December 31, 2018	127,207	158,165	61,297	1,974,071	10,806	-	2,331,546
December 31, 2019	-	-	38,284	1,523,589	7,859	-	1,569,732

The amount of fully depreciated assets still in use amounted to P17.65 million (2018 - P7.72 million). Depreciation expense of P0.76 million (2018 - P1.19 million; 2017 - P1.41 million) is charged to expenses.

As at December 31, 2019 and 2018, management assessed that there were no indicators present that would otherwise require an assessment and subsequent recognition of impairment for its property and equipment.

There are no property and equipment pledged as collateral for borrowings as at December 31, 2019 and 2018.

Note 8 - Investment properties

The Group's investment properties include several parcels of land and a commercial unit held for lease. Land includes properties of The Taal Company, Inc. (TTCI) and Tagaytay Properties and Holdings Corporation (TPHC), subsidiaries, held for appreciation purposes, including those in Batangas and Tagaytay City with a total land area of 29 hectares. The condominium unit, which is located in Makati with a total floor area of 676 square meters, is being leased out to third parties by the Parent Company (Note 17).

In 2019, income from this property amounting to P 7.76 million (2018 - P7.49 million; 2017 - P7.31 million) was presented as rental income in profit or loss. Direct expenses incurred for this investment property amounted to P1.32 million (2018 - P1.13 million; 2017 - P1.27 million) which were recorded in communication, light and water, repairs and maintenance, association dues, taxes and licenses, and insurance under other expenses (Note 13).

The following amounts have been recognized in profit or loss:

	Note	2019	2018	2017
Rental income	17	7,760,805	7,493,144	7,308,941
Operating expenses arising from investment properties that generate rental income		(1,322,586)	(1,130,447)	(1,265,063)
		6,438,219	6,362,697	6,043,878

The changes in the carrying amounts presented in the consolidated statements of financial position as at December 31 are summarized as follows:

	2019	2018	2017
Balance as at January 1	400,270,000	335,607,545	320,453,000
Fair value gains	66,725,000	64,662,455	15,154,545
Balance as at December 31	466,995,000	400,270,000	335,607,545

The fair value of investment properties is determined on the basis of appraisal made by an external appraiser duly certified by the management (Level 3 valuation). Valuation methods employed by the appraisers mainly include the market data approach (Note 23.1). As at December 31, 2019, the cumulative fair value gain amounted to P457.1 million (2018 - P390.3 million).

Note 9 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of:

	Note	2019	2018
Accounts payable and accrued expenses		9,229,930	15,970,652
Accrued interest on borrowings	10	2,879,506	3,179,506
Withholding taxes		55,994	101,583
Subscription payable		2,500	2,500
		12,167,930	19,254,241

Accounts payable and accrued expenses represent third party payables and accruals on employee benefits, legal and other professional fees all payable on demand.

In 2019, the Group has written-off long-outstanding payables amounting to P5.41 million following final reconciliation with its creditors. The amount is credited to other income. No such write-off in 2018.

Note 10 - Borrowings

Borrowings, which are unsecured and non-interest bearing, pertain to a loan from a related party amounting to P13.62 million as at December 31, 2019 and 2018 (Note 16).

The net debt reconciliation as at December 31 is presented below:

	Note	2019	2018
Borrowings as at January 1		13,624,642	135,054,491
Changes arising from:			
Cash flows		-	(121,429,849)
Borrowings as at December 31		13,624,642	13,624,642
Cash as at December 31	2	(181,600,097)	(193,312,456)
Net debt as at December 31		(167,975,455)	(179,687,814)

In 2013, the Parent Company entered into various loan agreements with a related party, Asia Development Capital Limited (ADCL), a company incorporated in Tokyo, Japan and with a third party creditor, incorporated in Hong Kong.

In 2018, the Parent Company paid in full the principal and interest of the loan from a related party and a third party creditor amounting to P179.81 million of which P121.43 million pertains to payment of principal. Total interest paid amounted to P34.60 million while the remaining P23.78 million was condoned by the third party creditor. The Parent Company shouldered the payment of the donor's tax amounting to
P1.86 million as part of the condonation agreement. The net gain amounting to P21.92 million is recognized in profit or loss under other income. There were no payments made in 2019.

Interest expense incurred from these borrowings for the year ended December 31, 2018 amounts to P20.97 million (2017 - P9.95 million). There were no interest incurred in 2019. There was no qualifying asset in 2019 and 2018.

Note 11 - Deposits for future share subscriptions

In 1997, the Parent Company received from certain shareholders deposits for future share subscriptions totaling P241.62 million. Movement of P46.93 million in 2008 pertains to the cancellation of subscription with the amount previously received as deposits against the Parent Company's advances to relevant shareholders. There were no movements in the account during 2019 and 2018.

It is the intention of the shareholders that these balances represent equity deposits for future share subscriptions. The presentation of the deposits under liabilities is in compliance with Financial Reporting Bulletin No. 6 issued by Securities and Exchange Commission (SEC). The management considers issuing equivalent equity ownership upon development of concrete plans on improving the operations and the financial stability of the Group (Note 1).

Note 12 - Equity

Share capital as at December 31, 2019 and 2018 consist of:

	Amount
Common shares - P1 par value	
Authorized (4,000,000,000 shares)	4,000,000,000
Subscribed (1,200,000,000 shares)	1,200,000,000
Subscribed	1,200,000,000
Subscriptions receivable	(224,465,947)
Paid, issued and outstanding	975,534,053
Treasury shares (58,627,864 shares)	(58,627,864)

Treasury shares represent investment of Mindanao Appreciation Corporation (MAC) in the Parent Company's shares.

No collection occurred during 2019 and 2018 regarding the outstanding subscription receivable.

As at December 31, 2019, there are 188 (2018 - 191) shareholders each owning more than one hundred (100) shares of the Parent Company.

Note 13 - Other expenses

Details of other expenses for the years ended December 31 are as follows:

	2019	2018	2017
Transportation and travel	2,650,123	1,796,804	1,171,378
Taxes and licenses	1,480,888	6,045,137	955,628
Office supplies	1,192,399	712,433	734,853
Communication, light and water	647,373	570,792	537,343
Repairs and maintenance	414,901	202,019	624,467
Association dues	407,037	395,343	387,901
Security services	400,252	373,308	373,308
Insurance	181,897	212,796	196,347
Accounts written-off	25,900	464,215	88,300
Postage	13,211	6,558	3,074
Miscellaneous	107,661	363,289	216,390
	7,521,642	11,142,694	5,288,989

Note 14 - Income taxes

Details of provision for income tax for the years ended December 31 are as follows:

	2019	2018	2017
Current	862,229	376,554	2,449,868
Deferred	49,295,506	30,027,973	2,401,536
	50,157,735	30,404,527	4,851,404

The net deferred income tax liabilities as at December 31 consist of:

	2019	2018
Recoverable within 12 months		
Unrealized gain on revaluation of securities	977,755	2,357,622
Unrealized foreign exchange loss, net	-	50,110
Deferred rental income	(379,059)	(813,904)
	598,696	1,593,828
Recoverable beyond 12 months		
Fair value gain on investment property	93,738,380	118,250,117
Fair value change in investment	74,705,513	87,669
Provision for retirement benefits	(901,251)	(564,539)
	167,542,642	117,773,247
Minimum corporate income tax (MCIT)	-	(521,243)
	168,141,338	118,845,832

All movements in deferred income tax are charged to profit or loss except for those pertaining to other comprehensive income. Deferred income tax expense on other comprehensive income losses was not recorded due to insignificant amount.

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group incurred net operating loss carry-over (NOLCO) for the year ended December 31, 2019 amounting to P48.11 million (2018 - P48.99 million; 2017 - P1.45 million). However, the related deferred income tax asset of P14.43 million (2018 - P14.70 million; 2017 - P434 thousand) was not recognized since the probability that those benefits would be utilized through future taxable profits is uncertain.

The details of NOLCO as at December 31, which could be carried over as deductible expense from taxable income for three (3) consecutive years following the year of incurrence are as follows:

Year of incurrence	Year of expiration	2019	2018
2019	2022	48,108,397	-
2018	2021	48,996,322	48,996,322
2017	2020	1,446,774	1,446,774
2016	2019	14,435,333	14,435,333
Total NOLCO		112,986,826	64,878,429
Expired during the year		(14,435,333)	-
		98,551,493	64,878,429
Deferred income tax assets not recognized at 30%			19,463,529

In compliance with the Tax Reform Act of 1997, the Group is required to pay the (MCIT) or the normal income tax, whichever is higher. The details of the MCIT that can be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid are presented below:

Year of incurrence	Year of expiration	2019	2018
2019	2022	524,700	-
2018	2021	529,818	529,818
		1,054,518	529,818
Unrecognized MCIT		(1,054,518)	(8,575)
Recognized MCIT		-	521,243

In 2019, the MCIT amounting to P524,700 was charged to current income tax. The MCIT is unrecognized in the expectation that the Group will not be able to generate sufficient future taxable income against which this can be applied.

In 2019, the MCIT amounting to P524,700 was charged to current income tax. The MCIT is unrecognized in the expectation that the Group will not be able to generate sufficient future taxable income against which this can be applied.

In 2018, the Group recognized MCIT amounting to P521,243 as part of net deferred income tax asset. The payable amount is offset against prepaid tax under prepayments and other current assets.

In 2017, the Group applied MCIT amounting to P2,391,799 credited to provision for income tax.

The reconciliation of tax on pre-tax income computed at the statutory income tax rates to provision for income tax are as follows:

	2019	2018	2017
Income before income tax	(154,861,394)	(429,971,719)	28,401,365
Tax on pretax income at 30%	(46,458,418)	(128,991,516)	8,520,410
Adjustment for income subjected to lower tax rates	53,116,525	(51,020,701)	(265,941)
Difference in tax rate on unrealized fair value loss on unlisted shares	28,919,349	-	-
Unrecognized NOLCO and MCIT	15,484,301	14,698,897	434,031
Non-deductible expenses	1,151,422	199,947,977	609,935
Share in net earnings of an associate	-	(2,255,153)	(2,043,485)
Unrecognized MCIT in a Subsidiary	-	8,575	-
Applied MCIT	-	-	(2,391,799)
Non-taxable income	(2,923,119)	(1,983,552)	(3,789)
Others	867,675	-	(7,958)
	50,157,735	30,404,527	4,851,404

Note 15 - Basic and diluted earnings (loss) per share

The information used in the computation of basic and diluted earnings (loss) per share for the years ended December 31 are as follows:

	2019	2018	2017
Net income (loss) attributable to the shareholders of Parent Company	(215,172,889)	(475,424,767)	19,481,795
Divided by the average number of outstanding common shares	975,534,053	975,534,053	975,534,053
Earnings (loss) per share - basic and diluted	(0.2206)	(0.4873)	0.0200

Basic and diluted earnings (loss) per share are the same due to the absence of dilutive potential common shares.

Note 16 - Related party transactions and balances

The table below summarizes the Group's transactions and balances with its related parties as at and for the year ended December 31, 2019.

		2019		
	Notes	Transactions	Outstanding balances	Terms and conditions
Due from				
Entities under common control				
Intrinsic Value Management (IVM)				
Philippine Strategic International Holdings, Inc.(PSIHI)				Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
South China Holdings Corporation (SCHC)	5	39,386	209,676	
Borrowings from				
Entity under common control (IVM)	10	-	(13,624,642)	Unsecured, non-interest bearing, with no guarantee and payable in cash on demand.
Advances from				
Entities under common control				
IVM, PSIHI		-	9,002,267	
Salaries and employee benefits				
Key management personnel		2,820,000	-	These are determined based on contract of employment and payable in cash in accordance with the Group's payroll period. These were fully paid at reporting date.

The table below summarizes the Group's transactions and balances with its related parties as at and for the year ended December 31, 2018.

		2018		
	Notes	Transactions	Outstanding balances	Terms and conditions
Due from				
Entities under common control				
Intrinsic Value Management (IVM)				
Philippine Strategic International Holdings, Inc.(PSIHI)				Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
South China Holdings Corporation (SCHC)	5	-	180,290	
Borrowings from				
Entity under common control (IVM)	10	-	(13,624,642)	Unsecured, non-interest bearing, with no guarantee and payable in cash on demand.
Advances from				
Entities under common control				
IVM, PSIHI		8,437,493	9,002,267	
Salaries and employee benefits				
Key management personnel		2,820,000	-	These are determined based on contract of employment and payable in cash in accordance with the Group's payroll period. These were fully paid at reporting date.

Intercompany loans eliminated in 2019 amount to P587.8 million (2018 - P596.03 million).

Based on management's assessment, the carrying values of receivables from related parties are deemed collectible.

Note 17 - Leases

In 2009, the Parent Company occupied a portion of its investment property and converted it into an office space. The portion which is owner-occupied is properly classified as property and equipment (Note 7). The remaining portion is leased to third parties.

In 2019, rental income from investment in a commercial unit amounted to P7.76 million (2018 - P7.49 million) (Note 8).

The Parent Company renewed its lease agreement with PIHI for the use of Unit 35-B at the 35th Floor Rufino Pacific Tower, 6784 Ayala Avenue, Makati City with an aggregate area of 234 meters including two (2) parking rights. The lease shall be for a period of one (1) year commencing on April 1, 2019 and expiring on March 30, 2020. The agreement provides for a monthly rate of P1,323 per square meter plus 12% VAT less 5% WHT or a total of P330,545 per month. The rental shall be paid on a quarterly basis. These are unsecured, with no guarantee and non-interest bearing. The agreement is in the process of being renewed as at reporting date.

The Parent Company also renewed its lease agreement with a third party in relation to the use of Units 35-C and D at the 35th Floor of Rufino Pacific Tower. The lease shall be for a period of three (3) years commencing on May 1, 2014 and expiring on April 30, 2017 and subsequently renewed until April 30, 2020. The agreement provides for the payment of a monthly rental amounting to P306,571 exclusive of VAT, subject to 5% escalation rate annually. The rental shall be paid on a quarterly basis on or before the first working day of the quarter to which such rent corresponds. These are unsecured, with no guarantee and non-interest bearing. The agreement is in the process of being renewed as at reporting date.

The lease agreement pertaining to the use of six (6) car parking rights at the Rufino Pacific Tower was also renewed with a third party. The lease shall be for a period of one (1) year commencing on January 12, 2017 and renewable annually. The agreement provides for a rate of P19,465 per month inclusive of 12% VAT and net of 5% withholding tax. The rental shall be paid on a monthly basis. These are unsecured, with no guarantee and non-interest bearing.

As at December 31, the minimum aggregate rental receivables for future years are as follows:

	2019	2018	2017
Within one (1) year	7,972,480	6,268,602	7,259,814
After one (1) year but not more than five (5) years	-	16,091,712	19,822,122
	7,972,480	22,360,314	27,081,936

Note 18 - Salaries and employee benefits

Details of salaries and employee benefits for the years ended December 31 are as follows:

	2019	2018	2017
Salaries and wages	3,914,827	3,536,878	2,929,759
Employee benefits	3,796,385	1,677,633	2,413,743
Bonus and allowances	387,351	377,008	245,575
SSS, Philhealth and HDMF	197,261	116,451	108,845
	8,295,824	5,707,970	5,697,922

Note 19 - Provision for retirement benefits

The Group has yet to adopt a formal retirement plan and only provided for the retirement obligation based on minimum required retirement benefit under Republic Act (RA) 7641. Under RA 7641, otherwise known as the Retirement Pay Law, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least five (5) years in a private company, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year.

The retirement benefit obligation and retirement benefit expense as at and for the years ended December 31 are as follows:

	2019	2018
Retirement benefit obligation	3,004,170	1,881,793
Retirement benefit expense (income)	1,122,376	(161,957)

The movement in the retirement benefit obligation for the years ended December 31 is as follows:

	2019	2018
January 1	1,881,793	2,043,750
Current service cost	1,122,377	(161,957)
December 31	3,004,170	1,881,793

The retirement benefit expense is included under salaries and employee benefits (Note 18) in profit or loss.

The principal assumptions made as at December 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	4.33%	7.64%
Expected future salary increase	3.00%	3.00%

Discount rate assumption is based on the theoretical spot yield curve calculated from Bloomberg market yields by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date, while considering the average years of remaining working life of the employees as the estimated term of the employee.

Note 20 - Provision for litigation claims

In the normal course of business, the Parent Company is a defendant on a case which is pending with the Court of Appeals. The case arose from a demand for payment of minimum guaranteed return on investment by a former co-shareholder of the Parent Company in a fast craft shipping business.

The plaintiff (one of the co-shareholders) violated a number of the terms as stipulated under the agreement, including a direct purchase of the shares of the other shareholder without the consent of the Parent Company. The agreement also contains a provision about guaranteed return.

In 1999, the plaintiff demanded full payment of the guaranteed return on its investment after audits of the fast craft business revealed a significant amount of loss, which demand was denied by the Parent Company.

After divergent decisions by the arbitrator and regional trial court, the case was transferred to the Court of Appeals for further proceedings. In 2013, the Parent Company recorded additional provision amounting to P21.61 million to reflect the final decision rendered by the Court of Appeals instructing the Parent Company to pay the agreed guaranteed returns and arbitration costs including 12% interest calculated from the date of initial ruling totaling to P47.77 million as shown in the consolidated statement of financial position.

As at December 31, 2019 and 2018, management is still assessing other legal remedies available to settle the case.

Note 21 - Contingency

In the normal course of business, the Parent Company has a contingency arising from claim which is presently being contested. Based on management's assessment, the disposition of this contingency will have no significant impact on its financial statements. The details of this claim have not been disclosed as this might be prejudicial to the position of the Parent Company.

Note 22 - Segment information

The Group has only one segment as it derives its revenues primarily from rental and capital appreciation of investment properties.

Significant information on the reportable segment is as follows:

	2019	2018
Operating assets	1,006,199,650	1,103,330,649
Operating liabilities	448,490,977	405,150,416
Revenue and income	103,542,264	114,594,701
Other income	-	7,517,176
Costs and expenses	244,013,824	(582,488,123)
Segment net income	(140,471,560)	(460,376,246)

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

There are no revenues derived from a single external customer above 10% of total revenue in 2019 and 2018.

There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the financial statements.

There are no changes in the Group's reportable segment and related strategies and policies in 2019 and 2018.

Note 23 - Financial risk and capital management

23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Management, under the direction of the Board of Directors of the Group, is responsible for the management of financial risks. Its objective is to minimize the adverse impact on the Group's financial performance due to the unpredictability of financial markets.

There were no changes in the Group's strategies and policies during 2019 and 2018.

23.1.1 Market risk

(a) Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained to meet current commitments.

The Group's foreign currency denominated monetary asset and liabilities for the years ended December 31 are as follows:

	2019	2018
	In USD	In USD
Cash in bank	107,154	106,923
Exchange rates	50.7440	52.7240
Peso equivalent	5,437,423	5,637,408

Details of net foreign exchange losses (gains) for the years ended December 31 are as follows:

	2019	2018	2017
Realized	-	5,893,103	(71,363)
Unrealized	190,445	(167,035)	(820,144)
	190,445	5,726,068	(891,507)

As at December 31, 2019 and 2018, the Group's exposure to currency risk relates to the foreign currency denominated cash in bank (Note 2).

The table below presents the impact of possible movements of Philippine Peso against the US Dollar, with all other variables held constant, on the Parent Company's net income after tax. There is no impact on the Parent Company's equity other than those already affecting net income after tax.

	Change in exchange rate	Impact on income after tax
December 31, 2019		
US Dollar	+/-3.76%	+/-142,938
December 31, 2018		
US Dollar	+/-4.60%	+/-212,766

The reasonably possible movement in foreign currency exchange rates is based on the projection by the Parent Company using movement of the rates from the prior period.

(b) Price risk

The Group's exposure on price risk is minimal and limited only to investments classified as at fair value through profit or loss (Note 3) in the consolidated statement of financial position. Changes in market prices of these investments are not expected to impact significantly the financial position or results of operations of the Group.

As at December 31, 2019, the impact of 1.0% increase (decrease) in the bid share price of the Group's investments based on management's assessment of historical movements in price, with all variable held constant, would have an impact of possible increase (decrease) of P3.19 million (2018 - P3.92 million) in the total comprehensive income for the year.

(c) Interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include notes receivable (Note 4) and borrowings (Note 10). These financial instruments are not exposed to fair value interest rate risk as these are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as these carry fixed interest rates.

23.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation.

Maximum exposure to credit risk

The Group's exposure to credit risk primarily relates to cash in banks and financial receivables.

The table below shows the credit quality of significant financial assets (i.e., cash in banks and financial receivables as at December 31:

	Fully performing	Underperforming
2019		
Cash in bank	181,585,097	-
Notes receivable	60,000,000	-
Other current assets*	-	4,486,972
	241,585,097	4,486,972
2018		
Cash in bank	193,297,456	-
Notes receivable	-	104,149,336
Other current assets*	-	7,651,370
	193,297,456	111,800,706

**excluding prepayments*

(i) Cash in bank

The Group deposits its cash balances in a universal bank to minimize the credit risk exposure. The Company assessed no significant credit risk.

(ii) Notes receivable

As at December 31, 2018, notes receivable (including interest) amounting to P104.15 million and rent receivables amounting to P2.93 million were deemed underperforming and not subject to any provision for impairment. These relate to receivables from PIHI aged more than 180 days. Management believed it can fully recover the balance based on the reasonable credit worthiness and financial position of PIHI. There were no historical losses recognized on these balances. Management was prepared to exercise all possible legal means available to recover the full amount.

As at December 31, 2019, the Group's outstanding receivables with PIHI amounted to P120.80 million in notes and interest receivables and P3.78 million in rent receivables totaling P124.58 million. The Group issued its demand letters to PIHI for the full collection of the outstanding receivables.

On June 12, 2020, the Group and PIHI entered into a final settlement agreement for P60.00 million (Note 4). The uncollectible receivables were fully written-off in profit and loss. The outstanding total receivables as at December 31, 2019 of P60.00 million was fully collected on June 15, 2020.

(iii) Other current assets (excluding prepayments)

Advances to third parties, advances to employees, due from related parties and other receivables reported under other current assets totaling P4.49 million as at December 31, 2019 (2018 - P4.72 million) are monitored on an ongoing basis which normally results in an assessment that the Group's exposure to bad debts is not material. There were no historical losses recognized on these balances.

23.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding through advances from related parties within the Group, extending payment terms for due to related parties, and an efficient collection of its notes receivables from third parties. The Group likewise regularly evaluates other financing instruments to broaden the Group's range of financing resources.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	0 - 90 days	91 - 180 days	181 - 360 days	Total
As at December 31, 2019				
Borrowings	-	-	13,624,642	13,624,642
Accounts payable and other current liabilities*	-	-	10,848,407	10,848,407
Advances from related parties			9,003,530	9,003,530
			33,476,579	33,476,579
As at December 31, 2018				
Borrowings	-	-	13,624,642	13,624,642
Accounts payable and other current liabilities *	-	-	18,336,255	18,336,255
Advances from related parties	-	-	9,002,267	9,002,267
	-	-	40,963,164	40,963,164

**This excludes taxes payable and deferred rental income.*

All financial assets and liabilities are classified as current as at reporting dates.

23.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. For this purpose, capital is represented by total equity as shown in the consolidated statement of financial position, as well as deposit for future share subscriptions presented under liabilities as follows:

	2019	2018
Total equity	493,161,104	698,180,233
Deposit for future share subscriptions	194,695,274	194,695,274
	687,856,378	892,875,507

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the absence of development activities undertaken by the Group, it does not require intensive capitalization as at December 31, 2019 and 2018. The Group's main objective is the development of an existing prime property comprising of investment property held for rental and capital appreciation.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Group has fully complied with this requirement.

There are no external minimum capitalization requirements imposed to the Group.

There were no changes in the Group's strategies and policies during 2019 and 2018.

23.3 Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities as at December 31 as follows:

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Fair value through profit or loss	224,282,097	224,282,097	392,936,944	392,936,944
Fair value at amortized cost				
Cash	181,600,097	181,600,097	193,312,456	193,312,456
Notes receivable	60,000,000	60,000,000	104,149,336	104,149,336
Other current assets*	4,486,972	4,486,972	7,651,370	7,651,370
Total assets	470,369,166	470,369,166	698,050,106	698,050,106
Financial liabilities at amortized cost				
Borrowings	13,624,642	13,624,642	13,624,642	13,624,642
Accounts payable and other current liabilities**	10,848,407	10,848,407	18,336,255	18,336,255
Advances from related parties	9,003,530	9,003,530	9,002,267	9,002,267
Total liabilities	33,476,579	33,476,579	40,963,164	40,963,164

**This excludes prepayments*
***This excludes taxes payable and deferred rental income.*

These carrying amounts approximate fair values at reporting dates due to the short-term nature of financial assets and liabilities.

23.4 Fair value hierarchy

The Group follows the fair value measurement hierarchy to disclose the fair values of its financial assets and liabilities. As at December 31, 2019 and 2018, the Group's financial assets at fair value through profit or loss are classified under Level 1 while investment properties are classified under Level 3 category. The Group uses the market approach for its investment properties. The value of the investment properties was based on sales and listings of comparable property registered within the vicinity premised on the factors of time, unit area/size, unit location, unit improvements, building location, building features/amenities, bargaining allowance and others.

Note 24 - Critical accounting estimate and judgments

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

24.1 Critical accounting estimates and assumptions

(a) Estimate of fair value of investment properties (Note 8)

The Group's investment properties have an estimated market value of P219,000 per square meter (2018 - P160,300 per square meter) for the commercial unit and P420 to P3,200 per square meter (2018 - P250 to P3,200 per square meter) for the land as at December 31, 2019 based on the following significant assumptions used by the independent appraiser:

- current prices in an active market for properties of similar nature, condition or location, adjusted to reflect possible differences on the factors of time, unit area or size, unit location, unit improvements, building location, building features or amenities, bargaining allowance and others; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Investment properties in 2019 amounted to P466.99 million (2018 - P400.27 million). Where the estimated market value differs by 10% from management's estimates, the carrying amount of investment properties would have been P47 million (2018 - P40.02 million) higher or lower.

(b) Retirement benefits (Note 20)

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used include the discount rate and rates of salary increases. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The sensitivities of the defined benefit obligation to changes in the principal assumptions as at December 31 are as follows:

Assumptions	2019	2018
Discount rate		
1% decrease	267,513	197,562
1% increase	(243,394)	(177,208)
Rate of salary increase		
1% decrease	240,482	148,428
1% increase	(192,423)	(118,938)

24.2 Critical accounting judgments

(a) Recoverability of receivables with PIHI (Note 4)

The recoverability for notes and rental receivables is based on judgment about risk of default and expected credit loss. The Group uses judgment in assessing the recoverability of its notes and rental receivables, based on the Group's past history, existing market conditions as well as forward looking estimates (such as financial position and performance, industry information and management's legal remedies) at the end of each reporting period.

Management evaluates the credit worthiness and financial position of PIHI. Management uses judgment based on the best available facts and circumstances. Management also includes in its assessment all available and legal means in evaluating recoverability of the its receivables.

As at December 31, 2018, no allowance is necessary based on management's assessment and judgment.

As at December 31, 2019, the outstanding balance represents the full amount collectible in 2020 resulting from the final settlement between the Company and PIHI (Note 4).

(b) Recognition of deferred income tax assets (Note 14)

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

Management believes that the non-recognition of deferred income tax assets from NOLCO and MCIT amounting to P29.57 million and P1.05 million, respectively, (2018 - P19.46 million NOLCO and P8.6 thousand) is appropriate due to the Parent Company's limited capacity to generate sufficient taxable income in the immediately succeeding three to five years given current development activities.

(c) Entities in which the Group holds less than 50% interest (Note 25.3)

Management consider that the Parent Company has de facto control over TAC, MAC, TTCI and TPHC even though it has less than 50% of the voting rights. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Parent Company's shareholding and the relative size of the other shareholdings, management has concluded that the Parent Company has sufficiently dominant voting interest to have the power to direct the relevant activities of these entities. Consistent with PFRS 10, the entities have been fully consolidated into the Group's consolidated financial statements.

In 2018, the Group sold significant number of its shares in PIHI. Management has assessed the level of influence that the Group has on PIHI and determined that it has no significant influence and control has not been established as a result of the divestment. Consequently, this investment was classified as an associate in 2017 and reclassified to financial assets at fair value through profit or loss in 2018 and 2019.

(d) Impairment of investment properties (Note 8)

The Group's investment properties were tested for impairment where the recoverable amount was determined using the market approach. The value of the investment properties was based on sales and listings of comparable property registered within the vicinity premised on the factors of time, unit area/size, unit location, unit improvements, building location, building features/amenities, bargaining allowance and others which management believes are reasonable.

The carrying amount of investment properties amounted to P466.96 million as at December 31, 2019 (2018 - P400.27 million). No impairment loss was recognized on investment properties for the years ended December 31, 2019 and 2018.

(e) Provision for litigation claims (Note 20)

The Parent Company is a party to certain lawsuits or claims arising from the ordinary course of business. The provision for litigation claims is based on the final decision rendered by the Court of Appeals. The Parent Company's management and legal counsel believe that the liabilities under these lawsuits or claims will not have a material impact on the Group's consolidated financial statements. The Group's provision for litigation claims amounted to P47.77 million as at December 31, 2019 and 2018 and is shown as a separate line item in the consolidated statement of financial position.

(f) Contingency (Note 21)

The Parent Company is currently involved in a disputed claim. Management currently believes, in consultation with its legal counsels, that the ultimate outcome of the proceeding will not have a material effect on the Group's consolidated financial statements. It is possible, however, that future results of operations could materially be affected by changes in the estimate in the final outcome of the proceedings.

Note 25 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

25.1 Basis of preparation

The consolidated 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 of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.
The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in Note 24.

25.2 Changes in accounting policies and disclosures

There are no amendments to PFRS effective for the financial year beginning January 1, 2019 that have significant impact on the Group's financial statements.

25.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019 and 2018. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

Details of subsidiaries are as follows:

Subsidiaries	Percentage of ownership in 2019 and 2018		
	Direct	Indirect	Total
T&M Holdings, Inc. (TMHI)	100%	-	100%
M&M Holdings Corporation (MMHC)	100%	-	100%
The Angeles Corporation (TAC)*	38.46%	15.02%	53.48%
The Taal Company, Inc. (TTCI)*	29.97%	14.49%	44.46%
Mindanao Appreciation Corporation (MAC)*	28.50%	13.98%	42.49%
Tagaytay Properties and Holding Corporation (TPHC)*	26.04%	-	26.04%

**With significant control or power to govern*

All subsidiaries are domestic companies registered and doing business in the Philippines and are principally engaged in the business of acquiring and disposing of interests in real and personal properties of any kind or description, marketable securities and shares of stock. The subsidiaries' registered office and principal place of business is at 35th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31 are as follows:

2019	TPHC	MAC	TTCI	TAC
	(In thousands of Pesos)			
Total current assets	9,306	51,785	11,738	2,011
Total non-current assets	319,027	-	25,973	-
Total assets	328,333	51,785	37,711	2,011
Total current liabilities	41,336	31,417	4,825	10,703
Total non-current liabilities	86,455	92	7,596	-
Total liabilities	127,791	31,509	12,421	10,703
Net assets (liabilities)	200,542	20,276	25,290	(8,692)
Income (Loss)	26,215	(0.3)	1,186	2
Expenses	(2,914)	(2,946)	(128)	(75)
Income (loss) before tax	23,301	(2,946)	1,058	(73)
Provision for income tax	(7,765)	(5)	(346)	-
Net income (loss) for the year	15,536	(2,951)	712	(73)
Other comprehensive loss	-	-	-	-
Total comprehensive income (loss)	15,536	(2,951)	712	(73)
Cash flows from:				
Operating activities	(1,805)	(85)	(135)	(73)
Investing activities	-	-	-	-
Net cash inflow (outflow)	(1,805)	(85)	(135)	(73)

2018	TPHC	MAC	TTCI	TAC
		(In thousands of Pesos)		
Total current assets	12,138	54,731	11,804	2,084
Total non-current assets	293,106	-	24,847	-
Total assets	305,244	54,731	36,651	2,084
Total current liabilities	41,542	31,417	4,823	10,703
Total non-current liabilities	78,695	88	7,250	-
Total liabilities	120,237	31,505	12,073	10,703
Net assets (liabilities)	185,007	23,226	24,578	(8,619)
Income	20,850	16,016	6,808	1
Expenses	(2,378)	(216)	(10,915)	(60)
Income (loss) before tax	18,472	15,800	(4,107)	(59)
Provision for income tax	(6,097)	70	(1,654)	-
Net income (loss) for the year	12,375	15,870	(5,761)	(59)
Other comprehensive loss	-	-	-	-
Total comprehensive income (loss)	12,375	15,870	(5,761)	(59)
Cash flows from:				
Operating activities	2,743	187	2,117	(640)
Investing activities	-	-	-	2,639
Net cash inflow (outflow)	2,743	187	2,117	1,999

	TPHC	MAC	TTCI	TAC	Total
Accumulated balance of non-controlling interest		(In thousands of Pesos)			
December 31, 2019	139,033	10,980	18,067	(4,632)	163,448
December 31, 2018	127,539	12,677	17,672	(4,593)	153,295

	TPHC	MAC	TTCI	TAC	Total
Non-controlling interest share in total comprehensive income (loss)		(In thousands of Pesos)			
December 31, 2019	11,489	(1,697)	395	(34)	10,153
December 31, 2018	9,148	9,127	(3,200)	(27)	15,048

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial reporting and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

TPHC holds interests in the companies listed above namely: (1) The Angeles Corporation, 57.69%; (2) The Taal Company, Inc., 55.64%; and (3) Mindanao Appreciation Corporation, 53.68%.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions-that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

25.4 Cash

Cash consist of cash on hand and deposits at call with banks. These are stated at face value or nominal amount.

25.5 Financial instruments

25.5.1 Classification

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through OCI (FVOCI) or through profit or loss (FVPL), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Significant impairment losses are presented as a separate line item in profit or loss.

These are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. The Group's financial assets at amortized cost comprise cash (Note 2), notes receivable (Note 4) and other current assets (except prepayments) (Note 5).

(ii) Financial assets at FVPL

Investment in equity instruments that are held for trading are measured at fair value. Gains and losses for these financial assets are recorded in profit or loss. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.
The Group's financial assets at FVPL (Note 3) are classified under this category.

(b) Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost.

The Group only has financial liabilities measured at amortized cost which include accounts payable and other current liabilities (excluding payable to government agencies and deferred rental income) (Note 9) and advances from related parties (Note 16).

25.5.2 Recognition and measurement

(a) Initial recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(b) Subsequent measurement

(i) Financial assets at amortized cost

Financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method, less provision for impairment.

(ii) Financial assets at FVPL

Gains or losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, including interest and dividend income and interest expense, are presented in profit or loss within fair value gain (loss) on financial assets at FVPL in the period in which these arise. Dividend income from financial assets at FVPL is recognized in profit or loss as a separate line item when the Company's right to receive payment is established.
(iii) Financial liabilities

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial liabilities at fair value through profit or loss, including interest expense, are presented in profit or loss within 'Unrealized gain (loss) on securities' in the period in which these arise.

25.5.3 Impairment

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a 12-month expected loss allowance for rent receivables. This did not result in any increase of the loss allowance for rent receivables in 2019 and 2018.

The Group applies the lifetime expected loss allowance for its notes receivable, advances and other receivables and due to related parties. To measure the expected credit losses, notes receivable, advances and other receivables and due to related parties have individually specific assessed credit risk characteristics and the days past due. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against an allowance account.

As at December 31, 2019 and 2018, all receivables are assessed as fully collectible based on the reasonable credit worthiness of the debtor, collection history and the Group's legal remedies.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit and loss. Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit and loss.
25.5.4 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

25.5.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. As at December 31, 2019 and 2018, there are no financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

25.6 Note receivables

Notes receivable represent claims for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods.

Other receivables such as rent receivables, advances and other receivables and due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Relevant accounting policies for classification, recognition, measurement and derecognition of notes and other receivables are presented in Note 25.5.

25.7 Other current assets

Other current assets include assets that are realized as part of the normal operating cycle and are included in current assets, except for maturities greater than twelve (12) months after the reporting date, in which case, these are classified as non-current assets. Other current assets are recognized at cost and are derecognized when used, consumed, sold or when it has been determined that there are no future benefits.

25.8 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation, amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which these are incurred.

Depreciation or amortization is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Office condominium	25 years
Building improvements	10 years
Office equipment	5 years
Communication and other equipment	5 years
Transportation equipment	5 years
Furniture and fixtures	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use (Note 25.11).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in profit or loss.

25.9 Investment properties

Investment properties are defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

Investment properties, principally comprising of land and a commercial unit, are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, representing open market value determined annually by external valuators. Changes in fair values are recorded in profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.

Removal of an item within investment properties is triggered by a change in use, by sale or disposal.
If investment properties become owner-occupied, they are reclassified as property and equipment, and the fair value at the date of reclassification becomes the cost for accounting purposes. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset. This is recognized in profit or loss.

Properties that are being constructed or developed for future capital appreciation are classified as investment properties.

Impairment of investment properties is presented in Note 25.11.

25.10 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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques for non-financial assets are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets are classified under Level 1 category. Investment properties are classified under Level 3 category.

25.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have a definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

25.12 Accounts payable and other current liabilities

Accounts payable and other current liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other current liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payable and other current liabilities are measured at the original invoice amount as the effect of discounting is immaterial.

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 25.5.

25.13 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred.

25.14 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associate. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when related bases are realized or when it is no longer realizable.

25.15 Employee benefits

(a) Retirement benefit obligation

The Parent Company has less than 10 employees and has not yet formalized its employee retirement plan but it plans to provide retirement benefits. The retirement benefits under RA 7641 are considered as defined benefit plan. Defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The retirement obligation is equivalent to half-month compensation and calculated proportionately to the length of service of an employee.

(b) Other short-term benefits

The Parent Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves. The Parent Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for short-term employee benefits are derecognized when the obligation is settled, cancelled or has expired.

25.16 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are derecognized when the obligation is settled, cancelled or has expired.

25.17 Deposit for future share subscriptions

Deposit for future share subscriptions represents amounts received from shareholder which will be settled by way of issuance of the Parent Company's own shares at a future date which may or may not materialize. These are recognized upon receipt of cash and measured at face value or nominal amount. The Group considers the deposit as a liability unless all of the following elements are present:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the subscription agreement;
- There is a Board of Director's approval on the proposed increase in authorized capital stock to cover the shares corresponding to the amount of the deposit;
- There is shareholders' approval of proposed increase; and
- The application for the approval of the proposed increase in authorized share capital has been filed with the SEC.

Deposits for future share subscriptions are derecognized once share has been issued or the shareholder cancels the subscription.

25.18 Equity

(a) Common shares

Share capital consists of common shares, which are stated at par value, that are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(b) Share premium

Share premium is recognized for the excess proceeds of subscriptions over the par value of the shares issued.

(c) Treasury shares

Where any member of the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's shareholders.

(d) Retained earnings

Retained earnings include current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

25.19 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to the Parent Company by the weighted average number of common shares in issue during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

25.20 Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the Group and specific criteria have been met for each of its activities as described as follows. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rental income

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

(b) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

(d) Other income

Other income is recognized when earned.

(e) Expenses

Expenses are recognized when these are incurred.

25.21 Leases

(a) The Group is the lessor

Properties leased out under operating leases are included in investment properties in the consolidated statement of financial position. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

(b) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements.

25.22 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the Group's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

25.23 Related party relationships and transactions

(a) Related party relationship

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

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

(b) Related party transaction

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged or not.

25.24 Contingency

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

25.25 Subsequent events

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

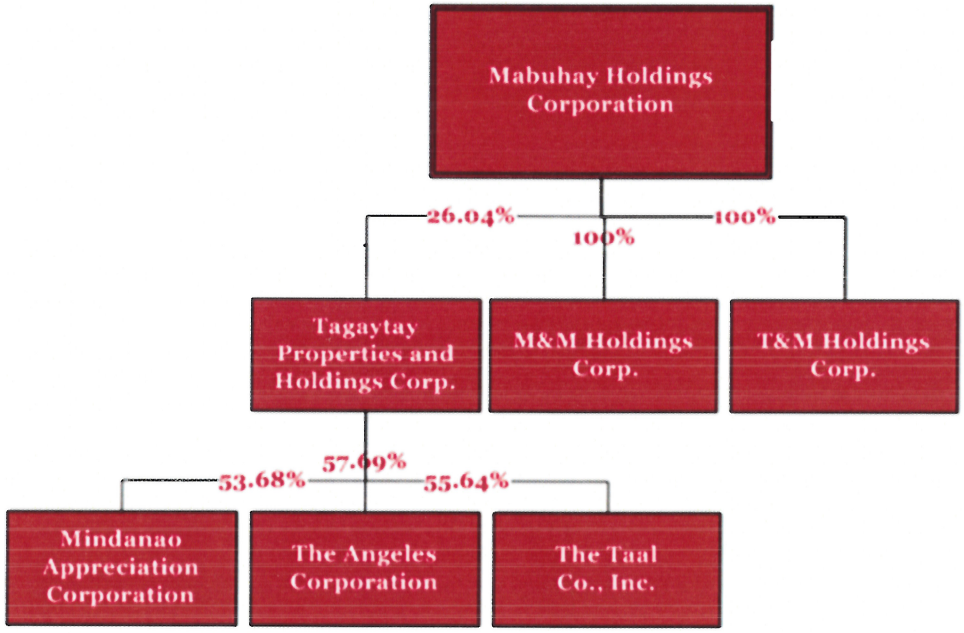
Mabuhay Holdings Corporation and Subsidiaries

Schedule of Financial Soundness Indicators
December 31, 2019 and 2018

Ratio	Formula	2019	2018
Current ratio	Total current assets divided by total current liabilities Total current assets 473,087,346 Divided by: Total current liabilities 277,345,466 Current ratio 1.7058	1.7058:1	2.4637:1
Quick asset ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities Total current assets 473,087,346 Less: Prepayments and other current assets (2,718,180) 470,369,166 Divided by: Total current liabilities 277,345,466 1.6760	1.6960:1	2.4543:1
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities Net loss after tax (205,019,129) Add: Depreciation and amortization 761,814 (204,257,315) Divided by: Total liabilities 448,490,974 (0.4554)	(0.4554):1	(1.1334):1
Debt to asset	Total liabilities divided by total assets Total liabilities 448,490,974 Divided by: Total assets 941,652,078 0.4763	0.4763:1	0.3672:1
Debt to equity	Total liabilities divided by total equity Total liabilities 448,490,974 Divided by: Total equity 493,161,104 0.9094	0.9094:1	0.5803:1
Asset to equity	Total assets divided by total equity Total assets 941,652,078 Divided by: Total equity 493,161,104 1.9094	1.9094:1	1.5803:1
Interest coverage	Net loss before interest and tax divided by interest expense Net loss before interest and tax (23,134,083) Divided by: Interest expense - -	-	(19.5018)
Return on equity	Net income (loss) after tax divided by total equity Net loss after tax (205,019,129) Divided by: Total equity 493,161,104 (0.4157)	(0.4157)	(0.6594)
Return on asset	Net income (loss) after tax divided by total assets Net loss after tax (205,019,129) Divided by: Total assets, 941,652,078 (2177)	(0.2177)	(0.4173)
Net profit (loss) ratio	Net income after tax divided by total income Net loss after tax (205,019,129) Divided by: Total income 80,207,974 (2.5561)	(2.5561)	(4.8774)
Earnings per share	Net income (loss) attributable to the Parent divided by number of common stock outstanding Net loss after tax (215,172,889) Divided by: Number of common stock outstanding 975,534,053 (0.2206)	P(0.2206)	P(0.4873)

Mabuhay Holdings Corporation and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
December 31, 2019



Mabuhay Holdings Corporation and Subsidiaries

Schedule A. Financial Assets
December 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Philippine Infradev Holdings, Inc.	170,947,589	213,684,487	213,684,487	-
Ayala Land Inc.	53,800	2,447,900	2,447,900	-
Bank of the Philippine Islands	64,110	5,635,269	5,635,269	-
Philippine Long Distance	1,050	1,037,400	1,037,400	-
Phil. Realty A	2,023,428	607,028	607,028	-
Basic Energy Corp.	1,110,000	271,950	271,950	-
RFM Corporation	40,000	212,000	212,000	-
Greenergy H./Musx Corp.	62,300	116,501	116,501	-
Filinvest Land, Inc.	84,250	126,375	126,375	-
Ayala Corporation	69	54,200	54,200	-
Cosco Capital, Inc.	5,000	34,200	34,200	-
BDO Unibank, Inc.	147	23,226	23,226	-
F. Estate Land Inc.	6,850	8,220	8,220	-
Swift Food Inc.	44,621	5,221	5,221	-
GMA Network, Inc.	1,000	5,330	5,330	-
National Reinsurance Corp.	5,000	4,150	4,150	-
United P. Mining Corp.	750,000	3,900	3,900	-
Swift Food Inc. (Preference)	1,759	2,392	2,392	-
Filipino Fund Inc.	330	2,244	2,244	-
Manila Mining Corp. (B)	4,345	72	72	-
Manila Mining Corp. (A)	9,551	32	32	-
Total	175,215,199	224,282,097	224,282,097	-

Mabuhay Holdings Corporation and Subsidiaries

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
December 31, 2019

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
South China Holdings Corporation	-	25,900	-	(25,900)	-	-	-
Philippine Strategic Intl. Holdings, Inc.	-	200	-	-	200	-	200
Intrinsic Value Management Ltd.	180,290	29,186	-	-	209,476	-	209,476
	180,290	55,286	-	(25,900)	209,676	-	209,676

Mabuhay Holdings Corporation and Subsidiaries

Schedule C. Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of the financial statements
December 31, 2019

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Mabuhay Holdings Corporation	52,411,616	100	(8,300,000)	-	44,111,716	-	44,111,716
Mindanao Appreciation Corporation	18,523,641	15,930	-	(15,930)	18,523,641	-	18,523,641
M&M Holdings Corporation	68,271,461	-	-	-	68,271,461	-	68,271,461
The Angeles Corporation	-	16,800	-	(16,800)	-	-	-
T&M Holdings, Inc.	609,215	25,837	-	(23,400)	611,652	-	611,652
Tagaytay Properties Holdings Corporation	4,687,944	2,500		(2,500)	4,687,944	-	4,687,944
The Taal Company, Inc.	2,276,864	-	-	-	2,276,864	-	2,276,864
Total	146,780,741	61,167	(8,300,000)	(58,630)	138,482,014	-	138,483,278

Mabuhay Holdings Corporation and Subsidiaries

Schedule D. Long-term debt
December 31, 2019

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
	NONE		

Mabuhay Holdings Corporation and Subsidiaries

Schedule E. Indebtedness to related parties (Long-term loans from Related Companies)
December 31, 2019

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

Mabuhay Holdings Corporation and Subsidiaries

Schedule F. Guarantees of Securities of Other Issuers
December 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
	NONE			

Mabuhay Holdings Corporation and Subsidiaries

Schedule G. Capital Stock
December 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
COMMON SHARES	4,000,000,000	1,200,000,000	-	58,627,864	1,641	1,141,370,495