COVER SHEET

1 8 4 2 2 8

SEC Registration Number

MRC ALLIED, INC. AND SUBSIDIARY

(formerly MRC ALLIED INDUSTRIES, INC.)

(Company's Full Name)

5th Floor, EuRovilla 4 Building

853 A. Arnaiz Ave. Makati City

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

Bernard Rabanzo

(Contact Person)

846-7910

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

1 7 - A

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

I & VII

Amended Articles Number/Section

Total Amount of Borrowings

25M	**NA**
Domestic	Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2019.**

2. SEC Identification Number **184228** 3. BIR Tax Identification No. **490-000-275-291**

4. Exact name of issuer as specified in its charter **MRC ALLIED, INC.**

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

6. [ ] (SEC Use Only)
Industry Classification Code:

7. **5/F Eurovilla 4 Building, 853 A. Arnaiz Ave., Makati City** **1223**
Address of principal office Postal Code

8. **+632 846-7910**
Issuer's telephone number, including area code

9. ..**MRC ALLIED INDUSTRIES, INC.**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
...**Common Shares**	**8,512,658,975**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

The information required by this item is contained in Annex 1 of this Report

Documents Incorporated by Reference

Audited Financial Statements for the period Ended December 31, 2019
Sustainability Report

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

MRC Allied, Inc. (MRC) or ("the Parent Company") was incorporated in the Philippines. The Parent Company is the first publicly listed, property development firm in the Philippines which has found its niche in development of master planned, integrated residential, commercial, recreational, tourism and industrial areas within a single community or township.

Formerly operating as Makilala Rubber Corporation, (incorporated on November 20, 1990), the Parent Company's activities had been primarily the processing and export of baled natural rubber. In 1993, new stockholder acquired the Company form Philtread Tire & Rubber Corporation and diversified it into real property development, more particularly, into township development.

On October 25, 1994, the Securities & Exchange Commission approved the change of name of Makilala Rubber Corporation to MRC Allied Industries, Inc. In 1995, MRC listed its entire 500 million shares in the Philippine Stock Exchange with an initial public offering share price of three pesos (P3.00) per share. In 1997, MRC decided to divest its rubber business to Makrubber Corporation, its wholly owned subsidiary, to focus on its core business, real property development. Makrubber stopped its operations in 2000 because of the worsening raw material supply due to the Land Reform Program and the peace and order problems in North Cotabato.

Since 2000, MRC has had minimal operations and simply continued and maintained its two eco-friendly projects: the New Cebu Township One (NCTO) of Naga, Cebu; and Amihan Woodlands Township (AWT) of Northern Leyte.

On July 21, 2008, MRC held its annual stockholders' meeting at the Manila Polo Club for the purpose of electing the new members of its Board of Directors for the term 2008-2009. The stockholders also approved the amendments to MRC Allied Industries, Inc.'s existing Articles of Incorporation in line with the rationalization and quasi-reorganization of the Company, as follows:

- (i) Change in the corporate name from "MRC Allied Industries, Inc." to "MRC Allied, Inc."
- (ii) Decrease in the par value of MRC's common shares from P1.00 per share to P0.20 per share, with the corresponding decrease in its authorized capital stock form P500 million divided into 500 million common shares with a par value of P1.00 per share to P100 million divided into 500 million common shares with a par value of P0.20 per share;
- (iii) Increase in its authorized capital stock of up to, or not exceeding P9.50 billion or 47.5 billion shares at a par value of P0.20 per share;
- (iv) Debt to equity conversion, wherein an issuance of shares from the increased of up to, or not exceeding P750 million or 37.5 billion shares out of such increase in the authorized capital stock.

The rationale behind the capital restructuring and proposed modification of the Parent Company's issued and outstanding common shares is to reduce its outstanding deficit. On the other hand, the proposed increase in MRC's authorized capital stock will give way to additional capital infusion by potential investors.

On 8 August 2008, the Board of Directors elected the officers of MRC Allied and its various committees namely the Audit, Nominations and Compensations Committees. During the same meeting, the Board approved the partial implementation of the increase in its authorized capital stock by P2.9 billion divided into 14.5 billion shares with par value of P0.20 per share, thus increasing its authorized capital stock form P100 million divided into 500 million shares to P3.0 billion divided into 15 billion shares with par value of P0.20 per share.

On 23 September 2008, Pacific Asia Capital Corporation (PACC) now Menlo Capital Corporation (MCC) and MRC entered into a Deed of Assignment wherein the following resolutions were made: (i) assumptions of liabilities by PACC of P328.50 million from various creditors of MRC; (ii) MRC agreed for the settlement or extinguishment by PACC of its loans from various creditors; (iii)

PACC and MRC agreed to extinguish the debt by converting it into common shares out of MRC's increased authorized capital stock of P3.0 billion' (iv) PACC shall subscribe to P725 million covering the 25% minimum subscription for the partial increase of MRC's authorized capital stock of P2.9 billion or 3.625 billion shares out of the 14.5 billion shares increase with par value of P0.20 per share; (v) PACC shall assign, convey, transfer and consider as extinguished MRC's debt in the amount of P328.50 million as partial payment for 1.642 billion shares. As a result of this agreement, PACC shall have 3.625 billion shares, or 87.88% of the outstanding capital stock of MRC, thus effectively acquiring control over MRC.

The above resolutions were subsequently approved by the Philippine Securities and Exchange Commission (SEC) on March 25, 2010.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares form P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of P106.4 million to deficit.

As at December 31, 2017 and 2016, the total number of Company shares owned by the public aggregated 4,094,003,250 shares and 4,093,589,688 shares, representing 48.09% and 48.08% of the total issued shares and outstanding, respectively.

The Parent Company is 51.54% owned by Menlo Capital Corporation (MCC), a company incorporated in the Philippines and is engaged in the business of Investment House.

As at December 31, 2018 and 2017, the Company's subsidiaries which were incorporated in the Philippines are as follows:

	Date of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable Energy	100
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100
Makrubber Corporation (Makrubber)	1990	Processing and export Of natural rubber products	100

Makrubber has ceased commercial operations in 2011.

MREN, MRC Tampakan and MRC Surigao have not started commercial operations. MREN has a capitalization of P6.3 million, while MRC Surigao and MRC Tampakan have a capitalization of P5.0 million each.

The Company's registered principal and business address is 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City.

On October 6, 2016, the Company's Board of Directors (BOD) and stockholders approved the following:

a. Increase in authorized capital stock from P1.5 billion to P5.0 billion;
b. Acquisition of renewable facilities through its own or its subsidiary;
c. Change of Company name from MRC Allied, Inc. to MRC Inc.; and
d. Change of business address from 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City to Asian Star Building 2402-2404, Asean Drive, Filinvest Corporate City, Alabang Muntinlupa City.

Also, on September 20, 2017, the Company's BOD and stockholders approved the following:

a. Change in the Company's primary purpose to reflect shift of business to renewable energy;
b. Increase in the number of BOD from seven (7) to nine (9);
c. Creation of two billion preferred shares; and
d. 5 for 1 stock split, change in par value from P0.10 to P0.50 of the common shares.

Business/Projects

At present, the principal asset of the Company consists of two land banks. The first is a 160 hectare industrial estate in Naga City, Cebu and the second consists of 700 hectare of raw land in San Isidro Municipality, Leyte. Located thirty five (35) kilometers away from the Mactan International Airport, the industrial estate in Naga City, known as the New Cebu Township One (NCTO), is registered with the Philippine Economic Zone Authority as a special economic zone. At present, the lead locator in the park is Kyocera, a Japanese manufacturer of ceramics. Further development is required to fully maximize the value of this property.

Also classified as a special economic zone, the Leyte Property, known as the Amihan Woodlands Township (AWT), was originally planned as an eco-tourism project, considering the more than 10 km coastline that rises to forested mountains. No major development of the property, however, has been undertaken. The Company was negatively affected by the Asian Crisis of 1997 and essentially maintained minimal operation since then.

The abundant mineral deposits and recent government pronouncements prompted MRC to pursue the opportunity for a shift in business strategy. Global trends in metal prices and the preference for gold as the stable reserve definitely add value to mining resources available worldwide. Key acquisitions by MRC over the last quarter support this strategy:

- On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat. This property is adjacent (on the northeastern boundary) to Tamapakan, currently established as the 5th largest gold-copper deposit in the world and potentially the largest in Asia. The MRC Tampakan property is not covered by the ban on open-pit mining. Tampakan is covered by the open-pit ban since its southern area is in South Cotabato where open-pit mining is prohibited. MRC Tampakan Mines, Inc. will be established as the operating subsidiary.

  MRC's mining engineers, in coordination with the communities' indigenous community representatives, are conducting geological exploration (March 12 to 17). Laboratory testing will be completed by month-end as MRC awaits the approval of the exploration permit to proceed and thereby complete the preliminary requirements to pave the way for eventual drilling and operations.

- On January 7, 2011, MRC Allied Inc. entered into a Mines Operating Agreement with AMC, also for gold and copper covering a parcel of land with an area 3,718.41 hectares located at the Munciplaity of Marihatag, Province of Surigao del Sur. This is located in the well-known gold-belt region in southern Philippines.

- On February 4, 2011, MRC entered into a Mines Operating Agreement with Pensons

Mining Corporation (an affiliate of Alberto Mines) for copper and gold deposits covering a land area of 8,475 hectares in Paquibato in Mindanao. The mines are located in the mineral-rich mountains of Davao City, Davao del Norte. The Mines and Geosciences Bureau ("MGB") has been processing 11 applications with an aggregate area of 95,000 hectares in the area.

- On March 28, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 9,720 hectares located at the Municipalities of Boston and Cateel, Davao Oriental ("Boston-Cateel Mines"). The Agreement involves the mining rights owned by Alberto Mining Corporation, a domestic corporation based in Davao City.

- On August 25, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 2,059.27 hectares located at San Miguel & Marihatag, Surigao del Sur ("Surigao Mines" additional)

- On November 16, 2011, Pursuant to the Memorandum of Agreement signed with Upper San Miguel Manobo Sectoral Tribe Council, MRC or wholly owned entity will develop a gold processing facility in the Municipality of San Miguel.

BUSINESS PLANS

The Company's business development projects are discussed as follows:

a. Clean and Renewable Energy

- Solar Power Plant

  On October 2, 2017, the Company entered into an agreement to acquire 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50 megawatt solar project located in Palo, Leyte for P255.3 million. The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM). As at December 31, 2019, the management has ongoing negotiations with local distribution utilities for possible offtake agreements.

  The Company, through its subsidiary, had a service contract with DOE for the exclusive right to explore and develop a solar project in Naga City, Cebu. However, because of the supervening events affecting the condition and feasibility of the location, the DENR ordered the suspension of all development activities within the area in 2018. The Company had to surrender the service contract with the DOE which will then re-evaluate the project's technical feasibility and design. The result of the re-evaluation is still pending as at December 31, 2019.

- Solar Photovoltaic (PV) System Project

  In 2018, the Company entered into Memorandum of Agreements to develop, design, construct and install a 550 kilowatt power (kWp) and 1,100 kWp solar PV rooftop systems for a third party rice miller located in the Northern Luzon area and a mall located in Mindanao, respectively. These Agreements were pursued and implemented through MREN as the project vehicle.

  In 2019, MREN has completed the procurement, design, testing, installation and commissioning of the 550 kWp solar PV system project.

b. Real Estate

The Company has two land banks consisting of 160-hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares raw land located in the Municipality of San Isidro, Leyte known as Amihan Woodlands Township (AWT). The NCTO comprises parcels of land that are registered with the Philippine

Economic Zone Authority (PEZA). Based on the latest appraisal dated June 1, 2017, these properties have affair market value of P1,902.1 million.

In January 2020, the Department of Agrarian Reform (DAR) issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte, which includes the land owned by the Company, to qualified beneficiaries. As of date, the Company has not yet received a formal notice or correspondence from DAR or other government agencies regarding the planned distribution.

c. Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares as at December 31, 2019	No. of Hectares as at December 31, 2018
Paquibato, Davao City	593.2	8,475.6
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,559.1	7,559.1
Boston and Cateel, Davao Oriental	4,860.0	4,860.0
Marihatag, Surigao del Sur	3,759.3	3,759.3

The above mining sites have ongoing applications for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB) which were held in abeyance since 2011 due to the moratorium issued by the DENR on the approval of new mining projects. In July 2018, the moratorium was lifted. On December 9, 2019, the MGB released the results of its re-validation of the mining area covered by the Company's application for EP for the mine site located in Paquibato, Davao City. MGB's re-validation showed that certain portions of mining areas covered by the application are within the restricted areas for mining application pursuant to the DENR's Administrative Order, thus the area possible for mining covered by the application has been reduced from 8,475.60 hectares to 593.19 hectares.

With the lifting of moratorium, the Company has persistently pursued its pending applications for EP for the other mine sites which are in the final stage of evaluation by the MGB. The MGB is set to issue letter-notices on the results on the results of the evaluation of the Company's full compliance with the requirements included in these notices are crucial for the approval of the applications.

d. Export

In December 2019, the Company entered into an agreement with a third party liability domiciled and incorporated under the laws of the Republic of China for delivery of sand for a period of five (5) years. Under this agreement, the Company will be delivering a natural river sand in bulk from a potential seller for a fixed price per Metric Ton (MT).

The ability of the Company to continue as a going concern depends largely on its successful implementation of the above business development projects.

<u>Major Risks Related to the Business</u>

- The Company's profits are subject to price volatility and competition.
- The Company has had minimal operating activities and incurred losses in its recent past.
- The Company's business is subject to operational risks and the Company is not insured against all potential losses.
- Competition in the industries in which the Company is engaged in is intense.
- Additional capital may be needed for operations in the future. If the Company is unable to raise the needed financing, its operations may be adversely affected

- Inflationary pressures especially on fuel and equipment costs could adversely affect the Company's operating costs

To mitigate these risks, the Company is undertaking all cost-effective and cost-efficient means to support its operations, and to prevent incurring further losses.

Furthermore, the Company created a committee that handles risk management. This unit is tasked to review, study and propose concrete ways to manage, if not, mitigate risks relating to the business of the Company.

Advances to Related Parties

The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2019 and 2018:

Stockholder

a. The Company provides noninterest-bearing cash advances for working capital requirements to a stockholder. These have aggregated P11.29 million and P12.50 million as at December 31, 2019 and 2018, respectively, and are due and collectible on demand.

b. The Company obtains noninterest cash advances from MCC for its working capital requirements. These have aggregated P222.47 million and P192.71 million as at December 31, 2019 and 2018, respectively, and are due and payable on demand.

Other Related Parties

Transactions with other related parties mainly consist of the following:

a. Noninterest-bearing cash advances made to officers aggregated P130,312 and P138,112 as at December 31, 2019 and 2018.

b. The Company provides advances to subsidiaries for working capital aggregated to P7.11 million and P5.03 million as at December 31, 2019 and 2018, respectively.

Patents and Trademarks

MRC's operations are not dependents on patents, trademarks, copyrights and the like.

Cost and Effects of Existing/Probable Regulations

On September 30, 1996, the President of the Philippines issued Proclamation No. 889 designating MRC as an ecozone developer/operator of **New Cebu Township Ecozone** pursuant to Republic Act No 7916 and its implementing Rules and Regulations. On February 3, 1997, the President of the Philippines issued Proclamation No. 955 amending Proclamation No. 889, to increase area covered from 366,643 sq. m. to 1,228,261 sq. m. The President of the Philippines issued Proclamation No. 247 on February 24, 2000 proclaiming **Amihan Woodlands Township** as a Special Economic Zone pursuant to Republic Act No. 7916 as amended by Republic Act No. 8748.

Research and Development

In the last (10) eight years, MRC has not undertaken any significant research and development activities.

Government Approval of Principal Products or Services

The mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

Solar Energy Service Contract

MREN entered into a Solar Energy Service Contract with the DOE for the exclusive right to explore, develop and utilize the Solar Energy Resources within the contracted area in Naga City, Cebu. The contract is in predevelopment stage which is a non-extended period of two years from December 23, 2015. Upon the issuance of a Certificate of Commerciality by the DOE, the service contract shall remain for a period of 25 years from the effective date.

MREN, among others, has to secure any necessary permits and clearances from all relevant government entities for the project. It also has to perform exploration, assessment, field verification, harnessing, piloting and other activities and provide technology and financing in connection with the predevelopment stage.

The government's share shall be equal to one percent (1%) of the gross income from the sale of electricity generated from Solar Energy Operation.

On January 15, 2018, the Company requested for a 180-day extension period from Department of Energy to complete the predevelopment activities and declare commerciality of the solar project.

In 2018, the DENR ordered the suspension of development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Company had to surrender its service contract with the DOE. The DOE is re-evaluating the project's technical feasibility and design and the result is still pending.

Cost and Effects of Compliance with Environmental Laws

MRC has already obtained the following environmental compliance certificates: ECC to develop and operate NCTO and to construct an administration building; and ECC for the developments of high-end residential, airstrip, and marina for AWT. Likewise, the Company had entered into a joint monitoring activity with respective local government units for NCTO and AWT to monitor environment compliance.

MRC has complied with all environmental regulatory requirements as evidenced by the permit secured from DENR. There is no material costs involved.

Competition

So far, there are five known competitors in the area, namely: Mactan Economic Zone 1 and 2, Cebu Light & Industrial Park, West Cebu Industrial Park and Danao (Mitsumi) Special Economic Zone. NCTO's unique setting, abundant water supply with much lesser rate, more stable power supply and hundreds of fiber-optic cabled high-speed voice and data telephone lines. These make NCTO a competitor to reckon with.

The MRC Tampakan project has the Sagittarius Mines, Inc. (SMI) as competitor. The Tampakan deposit is one of the largest underdeveloped copper-gold deposits in the world, and has the potential to be the largest mine in the Philippines, and the fifth largest copper mine in the world by 2016.

Customers

The Company has a wide market base due to the fact that its initial areas of operations are principally in the Central and Southern Philippines**.** **MRC's** township projects are strategically located in non-congested areas, near centers of educated and highly productive work force and ample sources of water and power.

Employees

As of the date of this report, the manpower complement of MRC consists of thirteen (15) personnel. These employees are not covered by a collective bargaining agreement.

There is nothing to disclose as of the date of this report regarding any supplemental benefits or incentive arrangements that MRC has or will have with its employees.

Item 2. Properties

Described below are the properties in which the Company has investments:

a. **The New Cebu Township One (NCTO) Ecozone –** NCTO represents MRC's first major property undertaking. The township, as a master-planned by renowned Jurong Town Corporation, is envisioned to become a wholly integrated community which will contain a light industry, processing zone, residential, commercial and recreational areas. Another prominent strength of the project is well-planned provision of water and power utilities. Locators are assured of their water supply form deep wells and impounded water reservoir. The power requirements of the zone will be tapped from the Leyte and Negros Oriental geothermal plants which are the part of the Visayas power grid of the National Power Corporation.

   The township project, located in the Municipality of Naga, Cebu consists of 250 hectare; 123 hectares of phase one of the NCTO while 114 hectares or more are being consolidated which will later constitute phase two of the development. Phase two will be developed mainly as an expansion of Cebu Techno Park, and low to medium end residential housing for employees in the township.

   Among its major locators are Seagate Technology, Inc. of the United States, Kyocera of Japan, Air Liquide of France and AP Precisions Philippines, Inc.

   The Company plans to develop in NCTO at least 50 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project. The renewable energy venture of the Company will be subjected to the approval by its stockholders.

   Certain portions of the property are subject of a preliminary attachment arising from the San Gabriel Case. (Please refer to discussion under the item "Legal Proceedings")

b. **Amihan Woodlands Township (AWT)** - Located in San, Isidro, Leyte with a lot area of 732 hectares, AWT was originally planned as an eco-residential/tourism project with Ecozone status.

   The open spaces and woodlands consist of the natural forest, mangrove swamps, beaches and marine preserves which will be protected sanctuaries and which will serve as the centerpoint of the property development. The residential areas for locators are divided into three districts. There will be high-end luxury residential which will be offer single-detached villas and mid-rise condominium and town-houses for transients and permanent residents and low-cost housing areas for employees of different establishments operating within the Township.

   The large mixed-use areas will contain commercial, recreational and residential zones. It will allow locators and investors to establish resort facilities, hotels, and condominiums, and world class golf courses.

   The industrial park will permit light industrial activities and other parallel uses. This will also be the site of the port operation facilities of the seaport and the airport. The remaining areas are reserved for infrastructure facilities and utilities which include an airport, seaport/marina, a lake/water reservoir, and road network.

Due to its present financial condition, no major development of the property has been undertaken.

As of 31 December 2019 and 2018, the carrying values of the above real estate properties/projects amounted to P562.8 million and P562.8 million. However, as determined by an internal appraiser in 2017, the fair market value of the real estate projects is higher than the carrying amount by P1.3 billion.

c. Other Properties

On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat. This property is adjacent (on the northeastern boundary) to Tampakan, currently established as the 5th largest gold-copper deposit in the world and potentially the largest in Asia. The MRC Tampakan property is not covered by the ban on open-pit mining. Tampakan is covered by the open-pit ban since its southern area is in South Cotabato where open-pit mining is prohibited. MRC Tampakan Mines, Inc. will be established as the operating subsidiary.

The Company recently acquired a property located in Barangay Castillo, San Miguel, Surigao del Sur with a total area of 38,634 square meters where the proposed gold processing plant will be constructed.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

The Company also currently leases its office space located at 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Legaspi Village, Makati City. The office space has a total area of 208 square meters. The term of the lease was for one (1) year starting December 1, 2017 to December 1, 2018, renewable upon mutual agreement by the parties. The rent is Php 106,817.92 per month exclusive of twelve percent (12%) value-added taxes,

Item 3. Legal Proceedings

Sps. Japson, Sps. Vivares, MRC Allied Inc, et al. vs. Salubre
Civil Case No. CEB-224928
Regional Trial Court Branch 23, Cebu City

The Company is involved as a co-plaintiff in Civil Case No. CEB-224982, entitled Sps. Japson, Sps. Vivares and MRC Allied Industries, Inc. vs. Salubre in the latter's capacity as Provincial Treasurer for the Province of Cebu City, Branch 23. The complaint sought to stop the auction sale of the real properties of MRC scheduled on November 26, 2008 at Naga, Cebu, allegedly for nonpayment of real property tax. The Regional Trial Court did not issue a temporary restraining order, but the case is still pending. The auction did not push through, and no notice of auction sale has been sent to the Company as of this date.

The case is in the Pre-Trial Stage and has been referred to mandatory mediation proceedings before the Philippine Mediation Unit. The parties have already initially discussed on how the case can be settled amicably but no formal agreement for the purposes has been finalized.

On October 25, 2018, the Court issued its Resolution of the pending matters, in which granted the Plaintiff's Motion for Leave of Court to File an Amendment Complaint and admitted the attached Amended Complaint therein, but denied Plaintiff's application for

Temporary Restraining Order. The next setting for Pre-Trial is set on February 22, 2019 at 8:30am. The case was reset. Tentative date for hearing is on June 2019.

The last setting of pre-trial was December 2019 but it was reset to March 2020.

San Gabriel Holdings Corp. et al v. MRC Allied Holdings, Inc. and Benjamin Bitanga, Civil Case No. CEB 87433 Regional Trial Court Branch 23, Cebu City

The Company is a defendant in a civil case for rescission of contract and restitution involving the principal amount of Php 14.9 million with prayer for preliminary attachment before the Regional Trial Court of Cebu City, Branch 23. The case was filed on February 7, 2011 by San Gabriel Holdings Corporation and Gabriel V. Leyson, and docketed as Civil Case No. 37433. Sometime in 1997, the Company's previous management entered into a contract to sell with San Gabriel Holdings. The object of the contract was a parcel of land located in San Isidro, Leyte. San Gabriel Holdings alleges that it had fully paid the purchase price and that MRC failed to comply with its corresponding obligations. San Gabriel sought to rescind the contract, recover the purchase price with damages. Consequently, San Gabriel Holdings sent a demand letter on April 6, 2000 for the delivery and execution of a deed conveying title to the property. More than 10 years later, another demand letter was sent to the new management.

MRC filed a Motion to Dismiss dated April 23, 2012 on the ground of improper service of summons and has moved to set aside the writ of preliminary attachment. The Company believes that based on the allegations of the complaint, the cause of action has already prescribed pursuant to the provisions of the Civil Code on prescription of action.

The case has been **dismissed** without prejudice for the unjustified failure of the Plaintiffs to submit a Pre-Trial Brief and for their failure to attend the Pre-Trial Hearing set for the case. The Plaintiff has filed a Motion for Reconsideration of the Dismissal of the Case. The Motion for Reconsideration is set for hearing on 26 June 2015. MRC Allied will file an opposition to the Motion.

The case has been dismissed without prejudice for the unjustified failure of the plaintiffs to submit a Pre-Trial brief and for On 10 August 2016 the Company received order of dismissal dated 12 July 2016 the case has been dismissed again without prejudice pursuant to Sections 4,5 & 6 of Rule 18 of the Rules of Court.their failure to attend the Pre-Trial Hearing set for the case. MRC also filed an opposition to the Motion.

Motion for Reconsideration filed by Plaintiffs was Denied by the Court on in an Order December 6, 2016. Order of Dismissal was affirmed.

Note: Although the case has been dismissed in 2016 we kept this on record until the 5 years lapse.

MRC ALLIED INC. VS. KINSEKI CRYSTAL DEVICE LTD. KYOCERA CRYSTAL DEVICE PHILIPPINES INC. All other persons claiming rights under Kinseki Ltd. Case No. R83

Nature of the case: Ejectment (Unlawful detainer)
Court: Municipal Trial Court in Cities, Naga City, Cebu
Acting Judge: Hon. Fritz Ritchie Avila

Facts:
Plaintiff is the owner of a portion of land in New Cebu Township One Special Ecozone, Barangay Cantao-an, Naga City, Cebu.

The Defendant Kinseki and Plantiff entered into a Lease Contract dated December 1, 1996 over the 35,000 sqm portion of the above-mentioned property.

That sometime December 2014, Plaintiff came to know that Defendant Kinseki have allowed another entity, Kyocera Crystal Devices Philippines, Inc., to occupy its leased premises without the required express consent of the plaintiff, in violation of one of the express provisions in the contract of lease.

Status:
Motion to Disallow Deposition

Defendant Kyocera was given 10 days to file comment on the motion. On the other hand, Plaintiff was given 5 days from receipt of respondent's comment to file reply. To date, no comment yet has been filed by the Defendant Kyocera.

Motion for Reconsideration on the Order dated June 6, 2016. Defendant Kyocera was given 10 days to file comment on the Motion for Reconsideration. On the other hand, Plaintiff was given 5 days from receipt of respondent's comment to file reply.

On August 10, 2017, Atty. Perez, Counsel for Defendant Kyocera withdrew his appearance. On September 22, 2017, ACCRA Law entered their appearance for Defendant Kyocera. On January 23, 2018, MRC Filed a Motion to Set Case for Continuation of Pre-Trial. The Court issued an Order, dated May 17, 2018, granting the Motion to Set Case for Continuation of Pre-trial Hearing, and setting the Continuation of Pre-trial on August 22, 2018. On May 21, 2017, the Court also issued an Order for Pre-trial. On August 16, 2018, just a few days before the scheduled Pre-Trial Hearing, Defendant Kyocera through counsel, filed a Motion for Leave to Amend Answer and Pre-Trial Brief. On August 22, 2018, the date of the hearing, the Court gave Plaintiff MRC time to file Comment/Opposition to Defendant Kyocera's, and for both parties to file their reply, rejoinder and sur-rejoinders, after which the motion shall be deemed submitted for resolution. MRC Filed its Comment / Opposition on September 5, 2018. On September 26, 2018, ACCRA Law served upon MRC their Reply to the Comment/Opposition. On October 10, 2018, MRC filed its Rejoinder. On October 24, 2018, ACCRA Law served upon MRC their Sur-Rejoinder. The Court is yet to set the case for the Next Pre-Trial hearing but request already been made to set it end of November to first week of December.

As of this date the company does not receive any letter from the Court for the scheduled Pre-Trial.

MRC ALLIED INC. VS. HON. KRISTINE CHIONG ET AL.
Plaintiff: MRC Allied Industries Inc. and Rosario Vivares
Defendants: Hon. Kristine Chiong, in here capacity as CITY Mayor for the CITY of NAGA, CEBU

On September 28, 2018, Plaintiff MRC filed the instant complaint for Declaration of Nullity of Public Auction Sale with Application for Issuance of Temporary Restraining Order and Writ of Preliminary Injunction, with Damages against herein respondents. The City Mayor, City Treasurer and City Assessor, proceeded to sell the properties of the plaintiff which is knew very well were the subject of the pending Salubre Case.

As of this date the case was re-raffled to Branch 66 of RTC Talisay Cebu. Case is yet to be set for trial.

Aside from the foregoing, there are no other pending civil, criminal or administrative cases involving the Company or any of its directors or officers, whether commenced before the concerned administrative agencies or before the regular courts as of the date of this certification.

Item 4. Submission of Matters to a Vote of Security Holders

On June 18, 2019 the annual stockholders meeting was held at Manila Polo Club, Mckinley Road Forbes Park, Makati City, the following matters were likewise approved and confirmed by the majority of the stockholder's:

1. The minutes of the previous annual meeting of the stockholders held last 18 June 2018 at the Manila Polo Club, McKinley Road, Forbes Park, Makati City.

2. The 2018 Audited Financial Statement of the Corporation.

3. The acts, proceedings, transactions, and agreements, authorized by and entered into by the Board of Directors and officers of the corporation, for and on behalf of the Corporation from the last special stockholders' meeting to date;

4. The re-appointment of the firm Reyes Tacandong & Company as external auditors of the Corporation;

5. The nomination and election of the following as members of the Board of Directors of the Company: Jimmy Tiu Yaokasin, Augusto M. Cosio, Jr., Bernard B. Rabanzo, James G. Velasquez, Alma F. Buntua, Bernardo B. Galang (Independent Director), and Gopal Sham Daswani (Independent Director);

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

MRC's common shares are traded in the Philippine Stock Exchange. The volume of its shares traded from 2017 to 2019 has been negligible due to market conditions.

The following are the highlights of trading during every quarter for the past three years where the last trading date was December 27, 2019 at P0.1910.

2019	High	Low
1st Quarter	0.3900	0.3750
2nd Quarter	0.3450	0.3350
3rd Quarter	0.3050	0.2950
4th Quarter	0.1940	0.1890

2018	**High**	**Low**
1st Quarter	0.5900	0.5500
2nd Quarter	0.5900	0.5700
3rd Quarter	0.6500	0.6100
4th Quarter	0.4700	0.4400

2017	**High**	**Low**
1st Quarter	0.2230	0.2150
2nd Quarter	0.4050	0.3700
3rd Quarter	0.3500	0.3350
4th Quarter	0.3450	0.3350

b. Security Holders

The number of shareholders of record as of the date of this Report is 636 and a common share outstanding is 8,512,658,975.

MRC's Top 20 Stockholders as of December 31, 2019 are as follows:

TOP	NAME	TOTAL SHARES	PERCENTAGE
1.	Menlo Capital Corporation	4,387,674,716	51.5429
2.	PCD Nominee Corporation	3,788,932,583	44.5094
3.	Pan Asia Securities Corp	264,314,000	3.1050
4.	EMRO Holdings, Inc.	40,833,000	0.4797
5.	Philippine TA Sec., Inc.	3,750,000	0.0441
6.	Bayan Financial Brokerage	3,399,500	0.0399
7.	1997 Bougainvillea Corporation	2,429,000	0.0285
8.	Lucky Securities, Inc.	1,878,000	0.0221
9.	William T. Gabaldon	1,850,000	0.0217
10.	Pua Yok Bing	1,000,000	0.0117
11.	Victor G. Sy	900,000	0.0106
12.	Leoncio Tan Tiu	700,000	0.0082
13.	Dy, Sohia Uy &/OR Josefina C.	600,000	0.0070
14.	Winston F. Garcia	600,000	0.0070
15.	Celso L. Lobregat	500,000	0.0059
16.	Elpidio Duca	460,000	0.0054
17.	Asian Appraisal Holdings, Inc.	413,562	0.0049
18.	Fely C. Ley	400,000	0.0047
19.	Leonardo T. Seguion-Reyna	400,000	0.0047
20.	Codilla, Gwendolyn	300,000	0.0039

There is no information available as of this date of this Report which relates to acquisition, business combination or other reorganization which could affect the present holdings of MRC's shareholders.

c. Dividends

No cash dividends declared on each class for the two most recent fiscal years and any subsequent interim period.

d. Recent Sales of Unregistered Securities or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

In 1995, the Company listed its entire 500 million shares in the Philippine Stock Exchange. All are fully sold and outstanding.

In October 7, 2010, the PSE approved the listing of an additional 3,121,416,747 common shares via debt to equity conversion subject to 180-day lock up period pursuant to the rules of the Exchange.

In May 23, 2012, the PSE likewise approved the listing of an additional 503,583,253 common shares as the final tranche of the debt to equity conversion.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares form P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

With the issuance of new shares in favor of Menlo Capital Corporation, MRC's outstanding capital stock increased to 8,512,658,975 shares.

There are no recent sales of unregistered securities or exempt transaction, neither are there recent issuances covered by rules on Exempt Transactions.

Item 6. Management's Discussion and Analysis or Plan of Operation

The following are the financial highlights of the Company and its subsidiaries for the years 2019, 2018 and 2017:

2019 – The company total assets is P1.119 billion and P1.334 billion as at December 31, 2019 and December 31, 2018, respectively. Real estate projects are valued at P359.26 million and P203.55 million for AWT and NCTO, respectively. There were no borrowing costs capitalized as at December 31, 2019 and 2018. The Company, in its normal course of business, has transactions with its related parties. Noninterest bearing cash advances to MCC of ₱11.29 million in December 31, 2019 and P12.50 million in December 31, 2018. In 2019 and 2018, the Company provided allowance for impairment losses amounting to P0.25 million. The Company obtained cash advances from its stockholder for working capital requirements which amounted to P222.47 million and P192.71 million as at December 31, 2019 and 2018, respectively. These advances are due and payable on demand. There were no compensation of key management personnel of the Company in 2019 and 2018. Other current assets amounting to P7.11 million and P5.03 million as at December 31, 2019 and 2018, respectively. Property and equipment amounted to P48.38 million and P28.52 million as at December 31, 2019 and 2018, respectively. Fully depreciated property and equipment with cost and accumulated depreciation amounting to P26.16 million and P7.52 million as at December 31, 2019 and 2018, respectively, are still being used in operations. The carrying amount of exploration and evaluation assets amounted to P231.75 and P464.25 million as at December 31, 2019 and 2018, respectively. Other noncurrent assets of P255.25 million as at December 31, 2019 and 2018 is attributable to 15% investment in the shares of stock of SEPALCO and the predevelopment costs incurred by the Company in acquiring licenses and service contracts in relation to Menlo Renewable Energy's solar energy service contract with DOE in Naga City, Cebu. Bank loans of P25.0 million as at December 31, 2019 and 2018, represents due and demandable, unsecured loans payable to First Metro Investment Corporation, with 13% annual interest. Trade and Other Payable consists of Accrued Interest and penalties incurred on the outstanding loans amounting to P380.28 million and P362.21 million for 2019 and 2018, respectively. Due to related parties of P222.47 for 2019 and P192.71 million for 2018 are transactions made from a stockholder for working capital advances and acquisition of licenses for Menlo Renewable Corporation. Retirement liabilities amounted to P9.26 million for 2019 and P8.22 for 2018, respectively. These are unfunded, defined benefit retirement plan covering all its qualified employees. As a result, the Company's deficit for 2019 is at negative P648.05 million while for 2018, it's a negative P365.51 million.

2018- The Company's total assets is P1.33 billion and P1.34 billion as at December 31, 2018 and December 31, 2017, respectively. Real estate projects amounted to P562.8 million and P562.8 million in 2018 and 2017, respectively. These land banks comprising 160-hectare industrial estate in Naga City, Cebu (NCTO) and 700-hectare land in Leyte (AWT) are valued at P1,100.0 million and P802.1 million, respectively, based on a valuation report by an independent appraiser dated June 13, 2017. Exploration and evaluation assets is P464.2 million and P464.2 million as at December 31, 2018 and December 31, 2017, respectively. These are mining rights for gold and copper over at Davao del Sur, Sultan Kudarat, Surigao del Sur, Davao City and Davao Oriental covering a total area of 25,050 hectares. Other non-current asset amounting to P281.2 million in 2018 and P281.2 million in 2017 represents the Company's investment in SEPALCO (Sulu Electric Power and Lights Corporation), amounting to P255.25 million; painting of P2.5 million and predevelopment cost of P23.4 million in Menlo Renewable Corporation in 2018; and Investment in SEPALCO amounting to P255.2 million, painting amounting to P2.5 million and predevelopment cost amounting to P23.4 million in 2017. The Company, in the normal course of business, has transactions with its related parties. This consists advances to stockholders/subsidiaries for working capital and business purposes amounting to P12.4 million and P16.53 million as at December 31, 2018 and December 31, 2017, respectively. These are advances made to Menlo Renewable Corporation for their pre operations. Other current assets consist of Input Vat, Deposits and Creditable Withholding Taxes amounting to P5.0 million and P4.2 million as at December 31, 2018 and December 31, 2017, respectively. Property and equipment consists of land, transportation equipment, furniture and fixtures and land and leasehold improvements amounting to P7.5 million in 2018 and P10.5 million in 2017. In 2017, the Company disposed of fully depreciated transportation equipment. Fully depreciated property and equipment with cost and accumulated depreciation amounting to 0.7 million and 0.3 million as at December 31, 2018 and 2017, respectively, are still being used in operations.

The Company's total liabilities and equities is P1,334.1 million and P1,340.3 million as at December 31, 2018 and December 31, 2017, respectively. Loans payable is a bank loan amounting to P25.0 million unsecured, due and demandable loans payable to First Metro Investment Corporation (FMIC) with 13% annual interest in the years 2018 and 2017. Accrued interest and penalties amounted to P362.2 million and P341.3 million as at December 31, 2018 and 2017, respectively. Due to related party is P192.7 million and P163.7 million as at December 31, 2018 and December 31, 2017, respectively. These are advances obtained for working capital and are unsecured, noninterest-bearing and payable on demand. Subscription payable Financial pertains to the 15% investment in the shares of stock of SEPALCO. The related subscription payable is due and demandable amounting to P255.2 million and P255.2 million as at December 31, 2018 and December 31, 2017, respectively. Retirement liability is P8.2 million in 2018 and P7.0 million in 2017, unfunded but defined retirement plan covering all of its qualified employees.

The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy and mining, resulting to a deficit. However, because of the debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit resulting to a positive equity of P485.8 million and P545.0 million as at December 31, 2018 and 2017, respectively.

On October 2, 2017, the Company entered into an agreement to acquire 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50 megawatt solar project located in Palo, Leyte for P255.3 million (see Note 5). The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM). As at December 31, 2018, the management has ongoing negotiations with local distribution utilities for possible offtake agreements.

In 2018, the Company entered into Memorandum of Agreements to develop, design, construct and install a 550 kWp and 1,100 kWp solar PV rooftop systems for a third party rice miller located in the Northern Luzon area and for a mall located in Mindanao, respectively. These Memorandum of Agreements will be effective upon the issuance of acceptance certificate after completing the actual performance and interconnection testing.

In 2018, the Company, through its subsidiary, MREN, is applying for a Renewable Energy Service Contract (RESC) with the DOE for the right to explore and develop a hydropower plant in Mindanao

2017- MRC's total assets is P1.34 billion and P1.084 billion as at December 31, 2017 and December 31, 2016, respectively. Trade and Other Receivables totaled at P16.53 million and P15.96 million as at December 31, 2017 and December 31, 2016, respectively. Advances made to officers and employees amounted to P0.65 million in 2017 and P0.30 million in 2016 are noninterest-bearing and are settled though liquidation and salary deduction for a specified period of time. In 2016, the Company provided allowance for impairment loss on trade and other receivables amounting toP0.3 million. Real Estate Projects amounted to P562.80 million and P562.80 million for 2017 and 2016. This consists of the Amihan Woodlands Towship of P359.25 million and Naga Cebu Township One of P203.54 million for 2017 and 2016. These properties are valued at P1,100.00 million and P802.10 million for NCTO and AWT, respectively, based on a valuation report by an independent appraiser dated June 13, 2017. The independent appraiser used the sales comparison approach. This fair value measurement is categorized as Level 2 and management believes that this value is indicative of the fair market value of the properties. There were no borrowing costs capitalized as at December 31, 2017 and 2016. No allowance for impairment losses was recognized in 2017 and 2016 because the fair value of the real estate projects is higher than the carrying amount. Other current assets consist of Input VAT, Deposits, CWT and Prepaid Expenses of P4.23 million and P3.33 million as at December 31, 2017 and December 31,206, respectively. The Company recognized other income from the reversal of allowance for impairment losses amounting to P1.0 million in 2017, P0.6 million in 2016 and P0.3 million in 2015. Other non-current assets consists of Investment in shares of stock amounting to P255.25 million, Predevelopment costs amounting to P23.47 million and other non-current asset

amounting to P2.50 million as at December 31, 2017 and Predevelopment costs amounting to P22.03 million and other non-current asset amounting to 2.50 million as at December 31, 2016. Investment in shares of stock pertains to the 15% investment in the shares of stock of SEPALCO. Predevelopment costs pertains to the costs incurred by the Company in acquiring licenses and service contracts in relation to MREN's solar energy service contract with the DOE in Naga City, Cebu. As at December 31, 2017 and 2016, the carrying amount of the Company's property and equipment amounted to ₱10.6 million and ₱12.5 million, respectively. In 2017, the Company disposed of fully-depreciated transportation equipment costing ₱48.0 million. The cost of fully depreciated property and equipment that are being used by the Company amounted to ₱5.3 million and ₱45.6 million as at December 31, 2017 and 2016.
No movements since 2011 in the Exploration and valuation assets amounted to P464.25 million and P464.25 million as at December 31, 2017 and December 31, 2016, respectively.

The Company's total liabilities and equity is P1,340.32 million and P1,084.28 million as at December 31, 2017 and December 31, 2016, respectively. Bank loan amounting to ₱25.0 million represents due and demandable, unsecured loans payable to First Metro Investment Corporation with 13% annual interest. Accrued interest and penalties amounted to ₱341.3 million and ₱316.8 million as at December 31, 2017 and 2016, respectively. In 2015, accrued project costs and salaries and benefits with an aggregate amount of ₱12.8 million were reversed. Gain from reversal of long outstanding other payables were recognized. The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2017 and 2016. The Company provides noninterest-bearing cash advances for working capital requirements to a stockholder. These have aggregated ₱16.1 million and ₱15.9 million as at December 31, 2017 and 2016, respectively, and are due and collectible on demand. The Company obtains noninterest cash advances from MCC for its working capital requirements. These have aggregated ₱163.7 million and ₱124.6 million as at December 31, 2017 and 2016, respectively, and are due and payable on demand. Noninterest-bearing cash advances made to officers aggregated ₱349,000 and nil as at December 31, 2017 and 2016. In 2016, the Company's advances to officers and employees were fully provided with allowance. Management and professional fees of key management personnel of the Company amounted to ₱1.1 million 2017 and 2016.
Subscription payable amount to P255.25 million in 2017 and P0.00 million in 2016 represents investment in shares of stock pertains to the 15% investment in the shares of stock of SEPALCO. The Retirement benefit expense amounted ₱2.3 million, ₱1.5 million and ₱1.3 million in 2017, 2016 and 2015, respectively. As at December 31, 2017 and 2016, retirement liability amounted to ₱7.0 million and ₱11.8 million, respectively.

The Company's total net loss is P60.70 million, P65.80 million and P41.14 million as at December 31, 2017, December 31, 2016 and December 31, 2015, respectively. The components include General and administrative expenses amounted to P42, 20 million, P42.75 million and P31.13 million as at December 31, 2017, December 31, 2016 and December 31, 2015, respectively. For Interest expenses and penalties amounted to P24.43 million in 2017, P23.58 million in 2016 and P22.83 million in 2015. Amounts represent the accrued interest expense and penalties on the bank loans with First Metro Investment Corporation.

The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy, resulting to a deficit. However, because of debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit resulting to a positive equity of ₱545.0 million and ₱605.7 million as at December 31, 2017 and 2016, respectively.

Notes to Financial Statements:

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Company have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange for incurring a liability.

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

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

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

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair value is included in Notes 4 and 15 to the consolidated financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

  Based on the Company’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Company has concluded that all of its financial assets and liabilities shall be classified under the new classification categories of PFRS 9.

  The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using general approach has no impact on the carrying amounts of the Company’s financial assets carried at amortized cost.

  Classification and Measurement. Based on the Company’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Company has concluded that all its financial assets and financial liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9.

  The Company has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Company’s financial assets and liabilities.

  The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using general approach has no material impact on the carrying amounts of the Company’s financial assets carried at amortized cost.

  Impairment. The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using the simplified approach, has no impact on the carrying amounts of the Company’s financial assets carried at amortized cost.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, Construction Contracts, PAS 18, *Revenue* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract etc.).

Based on the Company's assessment, all of the Company's contracts with customers shall generally provide single performance obligation at a fixed price which is mainly the delivery of goods and rendering of services. The Company shall recognize revenue as the goods are transferred to the customer and as the services are rendered over time. Accordingly, the adoption of PFRS 15 has no impact in the timing of the Company's revenue recognition.

Amendments to PFRS 15, *Revenue from Contract with Customers* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019 –

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and

  finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  For the Company's non-cancellable operating lease commitment as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16.

- Amendment to PFRS 9*, Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale *or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Company. Additional disclosures will be included in the consolidated financial statements, as applicable.

Key Performance Indicators (For Update)

Below is a schedule showing financial soundness indicators in the year 2019, 2018 and 2017:

	2019	2018	2017
Current/ liquidity Ratio	**0.65**	0.69	0.74
Current assets	**P=582,409,018**	P=581,127,895	P=584,287,944
Current liabilities	**899,487,185**	838,029,028	786,182,878
Solvency Ratio	**(0.31)**	(0.07)	(0.07)
After tax loss less depreciation	**(P=282,373,273)**	(P=56,223,912)	(P=57,308,457)
Total liabilities	**915,831,760**	848,375,134	795,311,273
Debt-to-equity Ratio	**4.51**	1.75	1.46
Total liabilities	**P=915,831,760**	P=848,375,134	P=795,311,273
Total equity	**203,218,148**	485,756,904	545,012,972
Asset-to-equity Ratio	**5.51**	2.75	2.46
Total assets	**P=1,119,049,908**	P=1,334,132,038	P=1,340,324,245
Total equity	**203,218,148**	485,756,904	545,012,973
Interest rate coverage Ratio	**(14.64)**	(1.83)	(1.69)
Loss before interest and taxes	**(P=264,465,763)**	(P=38,296,461)	(P=41,223,607)
Interest expense	**18,070,333**	20,959,608	24,433,443
Profitability Ratio			
Return on Assets	**(0.25)**	(0.04)	(0.05)
After tax loss	**(P=282,373,273)**	(P=59,256,069)	(P=60,702,811)
Total assets	**1,119,049,908**	1,334,132,038	1,340,324,245
Return on Equity	**(0.12)**	(0.12)	(0.11)
After tax loss	**(P=282,373,273)**	(P=59,256,069)	(P=60,702,811)
Total equity	**203,218,148**	485,756,904	545,012,973

Discussion and Analysis of Material Events

(1). (i) MRC's debt-to-equity restructuring have a material impact on its liquidity and equity in the first quarter of 2014. The quasi-reorganization, debt to equity conversion and the decrease in MRC's par value resulted to a positive equity.

(ii)There are no other known trends, commitments, events or uncertainties that will have a material impact on MRC's liquidity within the next twelve (12) months except for those mentioned above.

(2) (i)There are no material commitments as yet for capital expenditures.

(ii)There are no events that will trigger any direct or contingent financial obligation that is material to the Company or any default or acceleration of an obligation for the period.

(3) (i)There is nothing to disclose regarding any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of MRC with unconsolidated entities or other persons created during the reporting period.

(4) There are no other significant elements of income or loss that did not arise from the MRC's operations or borrowings for its projects.

(5) The causes of the material changes of 5% or more (as discussed above) from period to period of the following accounts are as follows:

Balance Sheet Accounts:
Total assets amounts to P1.12 billion and total liabilities and equity is P915.83 million and P203.22 million, respectively. Total assets went down by P215.08 million due to impairment loss of exploration and evaluation assets, depreciation and amortization of property and equipment and due from related parties and other current assets.

Due to Related Parties increased by P29.77 million due to the advances made from parent company for the operation of the Company because of the new thrust into renewable energy. Other current assets are advances to suppliers recorded for the year 2019.

Accrued interest, penalties and other payables of P396.76 million went up by P31.69 million because of the accrual of interest on the bank loan and other payables in the amount of P16.48 million in 2019. We recorded P9.26 million in retirement liability for 2019, thus the increase from P8.22 million in 2018 to P9.26 million in 2018. The Company's tax deferred tax liability amounting to P2.1 million as at December 31, 2019 and December 31, 2018, respectively, pertains to the remeasurement gain on retirement liability.

The Company's total net loss is P282.54 million and P59.26 million as at December 31, 2019 and December 31, 2018, respectively. The components include General and administrative expenses amounted to P264.60 million and P38.30 million as at December 31, 2019, and December 31, 2018 respectively. For Interest expenses and penalties amounted to P18.07 million in 2019 and P20.96 million in 2018. Amounts represent the accrued interest expense and penalties on the bank loans with First Metro Investment Corporation.

Financial Risk Disclosure under SRC Rule 17.1 (1)(A) (ii)
The Company's principal financial instruments are trade and other receivables, due from related parties, bank loans, trade and other payables and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The Company has exposure to liquidity risk, credit risk and interest rate risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and are summarized below:

a. Liquidity risk-The company's objective is to maintain balance between continuing of funding and flexibility through the availment of loans and advances from related parties. The assets are sufficient to pay the financial liabilities when they fall due.

b. Credit risk-This refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. Generally, the credit risk is attributable to receivables. There are no significant concentrations of credit risk because of full provision of valuation allowance as at December 31, 2018 and 2017.

Plan of Operation

The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy and mining, resulting to a deficit. However, because of the debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit resulting to a positive equity of P485.8 million and P545.0 million as at December 31, 2018 and 2017, respectively.

The Company's business development projects are discussed as follows:

a. Clean and Renewable Energy
    - Solar Power Plant
      On October 2, 2017, the Company entered into an agreement to acquire 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50 megawatt solar project located in Palo, Leyte for P255.3 million. The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM). As at December 31, 2018, the management has ongoing negotiations with local distribution utilities for possible offtake agreements.

      The Company, through its subsidiary, had a Solar Energy Service Contract (SESC) with the Department of Energy (DOE) for the exclusive right to explore and develop a solar project in Naga City, Cebu. Predevelopment costs related to the SESC amounted to P23.5 million as at December 31, 2018 and 2017. In 2018, the Department of Environment and Natural Resources (DENR) ordered the suspension of development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Company had to surrender its service contract with the DOE. The DOE is re-evaluating the project's technical feasibility and design and the result is still pending.

    - Solar Photovoltaic (PV) System Project
      In 2018, the Company entered into Memorandum of Agreements to develop, design, construct and install a 550 kWp and 1,100 kWp solar PV rooftop systems for a third party rice miller located in the Northern Luzon area and for a mall located in Mindanao, respectively. These Memorandum of Agreements will be effective upon the issuance of acceptance certificate after completing the actual performance and interconnection testing.

    - Hydropower Plant
      In 2018, the Company, through its subsidiary, MREN, is applying for a Renewable Energy Service Contract (RESC) with the DOE for the right to explore and develop a hydropower plant in Mindanao.

b. Real Estate
   The Company has two land banks consisting of 160-hectare industrial estate in Naga City, Cebu known as the NCTO and 700 hectares raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT). The NCTO comprises parcels of land that are registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal dated June 1, 2017, the properties have a fair market value of 1,902.1 million.

c. Mining
   The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares as at December 31, 2019	No. of Hectares as at December 31, 2018
Paquibato, Davao City	593.2	8,475.6
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,559.1	7,559.1
Boston and Cateel, Davao Oriental	4,860.0	4,860.0
Marihatag, Surigao del Sur	3,759.3	3,759.3

The above mining sites have ongoing applications for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB) which were held in abeyance since 2011 due to the moratorium issued by the DENR on the approval of new mining projects. In July 2018, the moratorium was lifted. On December 9, 2019, the MGB released the results of its re-validation of the mining area covered by the Company's application for EP for the mine site located in Paquibato, Davao City. MGB's re-validation showed that certain portions of mining areas covered by the application are within the restricted areas for mining application pursuant to the DENR's Administrative Order, thus the area possible for mining covered by the application has been reduced from 8,475.60 hectares to 593.19 hectares.

With the lifting of moratorium, the Company has persistently pursued its pending applications for EP for the other mine sites which are in the final stage of evaluation by the MGB. The MGB is set to issue letter-notices on the results on the results of the evaluation of the Company's full compliance with the requirements included in these notices are crucial for the approval of the applications.

Item 7. Financial Statements

The firm Reyes Tacandong & Co., has been elected and approved as external auditor of the Company during its annual stockholders' meeting on June 18, 2019.

The financial statements of MRC for December 31, 2019, as audited by Reyes Tacandong & Co. are incorporated in this report as reference. The objective of the audit is to provide an auditor's report expressing an opinion on the financial statements for the year 2019 in accordance with Philippine Standards on Auditing. Details of the information of the Independent Auditor are as follows:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26th Floor Citibank Tower 8741 Paseo de Roxas, Makati City
Certifying Partner	:	MICHELLE R. MENDOZA-CRUZ

Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

The Company has complied with SEC Memorandum Circular No. 8 regarding rotation of external auditor or engagement partners.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no disagreements between MRC and its accountants/external auditors on any accounting matter since the last annual stockholders meeting to date.

Fees and Other Arrangements

The estimated external auditor’s fees are based on the agreed timetable that will enable the Company’s statutory obligations in relation to the filing of financial statements with the Securities and Exchange Commission. Other services include the assistance in the preparation of the annual income tax return.

For services rendered, fees for the year 2019 is P400,000.00; for 2018 is P400,000.00 and 2017 is ~~P400,~~000.00, exclusive of €VAT and out of pocket expenses.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Incumbent Directors and Positions Held for the Past Five (5) Years

Jimmy Tiu Yaokasin, Filipino
Chairman

Mr. Yaokasin serves as member of the Board of Directors in various companies such as the Development Academy of the Philippines, Splash Corporation, Bethel International School Inc., China Philippine Mining Development Inc. and Leyte CableTV Network Inc.He is a Certified Public Accountant who obtained his bachelor‟s degree from the University of the Philippines where he graduated Cum Laude. He has a Master‟s in Business Administration degree, which he obtained from the Kellogg School of Management of the Northwestern University of Chicago.

Augusto M. Cosio Jr., Filipino
President& CEO

Mr. Augusto M. Cosio Jr., or “Gus”, is a known advocate for investing and the development of the Philippine capital markets. Having gained a wealth of experience in the global capital markets after working in Hong Kong and Singapore for global investment banks such as Deutsche Bank and BNP-Paribas, he is a passionate crusader for investment literacy among Filipinos. He is a regular resource speaker for the Philippine Stock Exchange Certified Securities Specialist Program and for
capital market topics at the University of Asia and the Pacific. In the First Metro Group, Gus had spearheaded The Capital Market Seminar Series conducted regularly by First Metro Securities Brokers and First Metro Asset Management Inc. (FAMI) in their offices in Makati, Binondo, Cebu and Davao. Gus finished a course in Social Sciences from the University of the Philippines. Until June 2018, he had been the president for 9 years of FAMI – the First Metro Asset Management Inc. – a multi awarded fund Management Company with around 11 billion pesos of Assets under Management (AUM). In his stint with the First Metro Investment Corp., Gus steered the creation and the listing of the first Exchange Traded Fund or ETF in the Philippine Stock exchange. Gus is also an advocate of road safety being a member of the Board of Trustees of the Automobile Association of the Philippines.

Bernard B. Rabanzo, Filipino
Director

Mr. Rabanzo sits in the Board of Menlo Renewable Energy Corporation, MRC Tampakan Mines Inc. and MRC Surigao Mines Inc. He also serves as the head of the Compliance Division of MRC.

He holds a degree in Bachelor of Science in Commerce with a Major in Banking and Finance from St. Louis University in Baguio City. Prior to joining MRC, he was employed at Philippine Wireless Inc.

James G. Velasquez, Filipino
Director

Mr. James G. Velasquez is currently the President and CEO of PT&T, a Philippines Telecommunications Company. He was previously a Senior Executive for IBM Global Technology Services, Asia Pacific. James has 30 years of experience in running several business units in the Philippines and in Asia Pacific with focus on business management, operations, strategic sales, digital transformation, technical support, infrastructure management and regional sales & operations. Mr. Velasquez graduated from University of Santo Tomas, with degree in Electronics and Communications Engineering.

Alma F. Buntua, Filipino
Director

Ms. Buntua is currently the Vice President for Finance of 5G Security Inc., a leading security and solutions provider in the Philippines. She is a graduate of Bachelor of Science in Commerce major in Accounting from Guagua National Colleges and a Certified Public Accountant where she earned her license in 1993. In the last 28 years her experience in the Finance industry, she has developed her expertise in Accounting, Treasury, Project Finance and recently as the appointed Chief
Finance Officer (Vice- President for Finance) in her current post.

Bernardo B. Galang, Filipino
Independent Director

Mr. Bernardo G. Galang, is a graduate of Ateneo De Manila University where he obtained his degree in Business Management. He sits as member of the Board of Trustees for Happy Child Foundation, where he is also one of the incorporators. He also had a hand in the incorporation of Friends and Associates of ABAKADA Inc., a foundation that aims to help disadvantaged children get college degrees. He has also served as Consultant to Representative Jonathan A. De La Cruz of Quezon City. Earlier in his career, he has an established career in the field of insurance, working with the likes of Berkley International Insurance International Life Insurance Company, Sun Life Assurance Company of Canada, Philippine Banking Corporation, and FGU Insurance Corporation, among others.

Gopal Sham Daswani, Filipino
Independent Director

Mr. Daswani is a young entrepreneur, investment manager and a philanthropist. He graduated from the University of Asia and the Pacific with a degree in Bachelor of Arts with Specialization in Integrated Marketing Communications.

<u>Term of Office</u>

The Board of Directors is composed of seven (7) members who are elected and approved at the annual stockholder's meeting, and their term shall be one (1) year and until their successors shall have been elected in the next annual stockholders' meeting. The incumbent directors, as enumerated above, shall hold office until their successors are elected at the forthcoming stockholders' meeting.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are the principal corporate officers of MRC:

President & CEO	:	Augusto M. Cosio, Jr.
Chief Admin & Finance Officer	:	Bernard B. Rabanzo
Corporate Secretary, Chief Legal & Compliance Officer	:	Atty. Johnston R. Brusola

Bernard B. Rabanzo, Filipino
Chief Admin & Finance Officer

Mr. Rabanzo sits in the Board of Menlo Renewable Energy Corporation, MRC Tampakan Mines Inc. and MRC Surigao Mines Inc. He also serves as the head of the Compliance Division of MRC.

He holds a degree in Bachelor of Science in Commerce with a Major in Banking and Finance from St. Louis University in Baguio City. Prior to joining MRC, he was employed at Philippine Wireless Inc.

Atty. Johnston R. Brusola, Filipino
Corporate Secretary/Chief Legal & Compliance Officer

Atty. Brusola took his undergraduate studies at the University of the Philippines Los Baños Laguna with a Degree in Bachelor of Science in Biology Major in Microbiology. He formerly worked as a Microbiologist at Euromed Laboratories then later on took a training and became a certified Medical Transcriptionist. He also previously joined the BPO industry as a Technical Support Representative. Then he decided to enter law school at the San Beda College Alabang and Philippine Christian University, where he obtained his Bachelor of Laws Degree. He has been admitted to the Bar in 2017 and has been connected with MRC as In-House Counsel since 08 February 2017.

c. Significant Employees

Other than the above-mentioned directors and corporate officers, there are no significant employees who are expected by the Company to make significant contributions to the business of MRC.

d. Family Relationship

No officers and member of the Board are related by consanguinity.

e. Involvement in Certain Legal Proceedings

<u>Jimmy T. Yaokasin</u>

Case Title	Leyte Development Company, Inc. vs. Pilipinas Shell Petroleum Corporation, Isla LPG Corporation, Brandon Briones, Nolan Supat and Jimmy T. Yaokasin, Jr.
Parties	Plaintiff: Leyte Development Company, Inc. Defendants: (1) Pilipinas Shell Petroleum Corporation (2) Isla LPG Corporation (3) Brandon Briones (4) Nolan Supat and (5) Jimmy T. Yaokasin, Jr.
Case Number	Case No. 2013-07-61
Court	Branch 8 of the Regional Trial Court of Tacloban City
Nature of the Case	Claim for Damages with Application for Issuance of Preliminary Injunction
Brief Description and Issues Involved	Plaintiff is previously the distributor of shellane products in Leyte. After the expiry of the Plaintiff's contract, they sought for the extension thereof. Extension was denied and the contract was awarded to the individual defendants. Plaintiff sued the defendants asking for damages on the claim that it developed the market for shellane products in Leyte.

	The claim for damages has no basis as the award of the contract for distribution of shellane products lies in the sole management discretion of Defendants Isla LPG Corporation/Pilipinas Shell Petroleum Corporation
Amount Involved	PHP50,000,000.00
Status	Plaintiff filed a Motion for Reconsideration of the Order Lifting the previously issued Writ of Preliminary Injunction

Bernard B. Rabanzo

Case Title	Bureau of Internal Revenue (BIR) vs. Bernard B. Rabanzo
Parties	Plaintiff: Bureau of Internal Revenue Defendant: Bernard B. Rabanzo
Case Number	NPS Docket No. INV-18E-00159
Court	Department of Justice National Prosecution Service Manila
Nature of the Case	Violation of Section 254 & 255 of the NIRC Of 1997 as amended
Brief Description and Issues Involved	There is an allegation by the BIR that Mr. Rabanzo Failed to file his ITR for the taxable year 2015 which constitute the offense of tax evasion & non-payment of property taxes due.
Status	The case was dismissed for insuffiency of evidence resolution dated 24 April 2019.

James G. Velasquez

Case Title	National Bureau of Investigation (NBI) vs. James G. Velasquez et al.
Parties	Plaintiff: National Bureau of Investigation (NBI) Defendant: James G. Velasquez
Case Number	IS No.XV-14-INV-181-01738
Court	Office of the City Prosecutor of Pasig
Nature of the Case	Alleged Violation of (i) Section 2-A of Commonwealth Act No. 108 (Anti Dummy Law), (ii) Section 2 of of Presidential DecreeNo. 1018 (Limiting the Ownership and Management of Mass Media to Citizens of the Philippines and for the Purposes), and (iii) Section 7 in relation to Section 14 of Republic Act No. 7042 (Foreign Investment Act of 1991)
Brief Description and Issues Involved	I am one of the eight (8) respondents composed of former and current Directors of ("Rappler"). The case stemmed from the issuance by Rappler of Philippine Depository Receipts to a foreign entity which allegedly violated the laws mentioned above. At the time the subject transaction transpired, I was a member of Rappler"s Board of Director.
Status	Submitted Resolution

Other than the foregoing, there are no more cases involving the other directors and officers of the Company that are pending as of this report.

Item 10. Executive Compensation

a. Compensation of Directors and Executive Officers

Summarized below are the compensation of directors and executive officers of MRC for the years ended 2019, 2018 and 2017.

Name and Principal Position	Year	Salary	Bonus	Other Compensation
CEO/President & Directors as group Augusto M. Cosio, Jr. Bernard B. Rabanzo – Chief Admin & Finance Officer Johnston R. Brusola- Corp. Sec. Al Joseph C. De Guzman- Chief Operation Officer Maria May P. Militante-Chief BDU Officer				
Total	2019	7,779,043.62		
Total	2018	5,340,279.75	0	0
Total	2017	4,822,688.14	0	0
Total	2016	2,044,000.00	0	0
All other officers & directors as a group named: Jimmy T. Yaokasin James G. Velasquez Alma F. Buntua Bernardo B. Galang Gopal Sham Daswani				
Total	2019	0	0	230,000.00
Total	2018	0	0	1,105,000.00
Total	2017	0	0	1,105,000.00
Total	2016	0	0	0

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above-Named Corporate/Executive Officers

Member of the board of directors have received per diem for services provided as directors for the years 2019, 2018 and 2017.

The Company has no other arrangements in material terms, including consulting contracts, pursuant to which any director was compensated, or is to be compensated directly or indirectly for the years 2019, 2018 and 2017.

<u>Item 11. Security Ownership of Certain Beneficial Owners and Management</u>

a. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares

As of December 31, 2019, MRC knows no one who beneficially owns in excess of 5% of MRC's common stock except as set forth in the table below:

Title of Class	Name and Address of the record owner	Citizenship	Amount & Nature of Ownership	Percentage of Class
Common	Menlo Capital Corporation 5/F Eurovilla 4 Building 853 Arnaiz Avenue Makati City	Filipino	4,387,674,716	51.5429
Common Stock	PCD Nominee Corp.* G/F MKSE Building Ayala Avenue, Makati City	Filipino	3,852,327,583	45.2541

***There are no participants who own more than 5% of MRC's voting securities. The name/s of the person/s authorized to vote the shares under this account are unavailable at the time of the distribution of this Report.

b. Security Ownership of Directors and Management

There are no shares held or acquired beneficially by any of the directors and executive officers of MRC other than to vote the shares under this account are unavailable at the time of the distribution of this Report.

Title of Class	Name of Beneficial Ownership	Amount and Nature of Ownership	Citizenship	Percentage of Class
Common Stock	Jimmy T. Yaokasin Director/Chairman c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Augusto M. Cosio, Jr. Director/President &CEO c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Bernard B. Rabanzo Director/Chief Admin & Finance Officer c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1,000 Record & Beneficial	Filipino	0.0000
Common Stock	James G. Velasquez Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Alma F. Buntua Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Bernardo B. Glang Independent Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Gopal Sham Daswani Independent Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial 100,000- Indirect Ownership	Filipino	0.0000
Common Stock	Johnston R. Brusola Corporate Secretary c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	0	Filipino	N.A.

Item 12. Certain Relationships and Related Transactions

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

The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2019 and 2018:

Stockholder

a. The Company provides noninterest-bearing cash advances for working capital requirements to a stockholder. These have aggregated P11.29 million and P12.50 million as at December 31, 2019 and 2018, respectively, and are due and collectible on demand.

b. The Company obtains noninterest cash advances from parent company for its working capital requirements. These have aggregated P222.47 million and P192.71 million as at December 31, 2019 and 2018, respectively, and are due and payable on demand.

Other Related Parties

Transactions with other related parties mainly consist of the following:

a. Noninterest-bearing cash advances made to officers aggregated P130,312 and P138,112 as at December 31, 2019 and 2018.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to the Company's Manual on Corporate Governance, the directors and officers of MRC are all exerting their best efforts to comply with the leading practices and principles on good corporate governance. During the Company's annual stockholders' meeting held on 18 June 2019, the stockholders of MRC have elected the new members of its Board. The Board is composed of executive and non-executive directors.

The Governance Committee:
Chairperson: Jimmy T. Yaokasin, Chairman of the Board
Members: Bernardo B. Galang, Independent Director
Gopal Sham Daswani, Independent Director
Atty. Johnston R. Brusola, Secretariat
The Company, through the Board, has created various committees pursuant to the provisions of the Manual. The Company has also designated a Compliance Officer, who oversees compliance with the provisions of the Company's Manual. The Company has adopted the self-rating form prescribed by Securities and Exchange Commission.

To ensure compliance with the Company's Manual of Corporate Governance the following were adopted and enforced:

a. Appointment of Compliance officer
b. Creation of Board Committees
c. Conduct of an orientation programs or workshop to operationalize the manual
d. Attendance by all members of the Board of Directors in every Board Meeting
e. Disclosure of all material information that could potentially affect the Corporation
f. Filing of all required information for the interest of the stakeholders.

So far, there was no deviation from the Manual of Corporate Governance except for the following:

a. Given the minimal operations and manpower of the Corporation, the Company has no professional development program in place at present and there was no perceived need for such program during the preceding calendar year.
b. There are yet no written policies and strategic guidelines on major capital expenditures. Such policies and guidelines will be fleshed out after the Board has completed its reviews of the financial and operational aspects of the company.

The Company, however, is working on its systems and procedures to improve compliance with the Company's Manual.

On May 22, 2019, the members of the Board as well as officers of the Company attended the corporate governance seminar, entitled "Orientation Program for First Time Directors" conducted by the Philippine Corporate Enhancement & Governance Inc. held at the Dusit Thani, Ayala Center Makati City, Metro Manila. This is in compliance with SEC Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission.

The Company will submit its Integrated Annual Corporate Governance Report (I-ACGR) for the year ended December 31, 2019, on or before May 30, 2020, in compliance with SEC Memorandum Circular No.15, Series of 2017.

PART V – EXHBIITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

a. Exhibits – See accompanying Index to Exhibits

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

b. Reports on SEC Form 17-C

During the period covered by this report, the reports on 17-C Current filed with the Commission include the following:

DISCLOSURE DATE	TITLE
08-Jan-19	List of Top 100 Stockholders as of December 31, 2018
08-Jan-19	Public Ownership Report
09-Jan-19	Statement of Changes in Beneficial Ownership of Securities
13-Feb-19	Update on Corporate Actions /Material Transactions/Agreements
20-Feb-19	Change in Directors and/or Officers (Resignation, Removal, or Appointment, Election
26-Feb-19	Initial Statement of Beneficial Ownership of Securities
01-Mar-19	Update on Corporate Actions/Material Transactions/Agreements
02-Apr-19	Material Information/Transactions
02-Apr-19	Notice of Annual or Special Stockholders' Meeting
02-Apr-19	[Amend-1] Material Information/Transactions
08-Apr-19	List of Top 100 Stockholders
11-Apr-19	Public Ownership Report
15-Apr-19	Annual Report
15-Apr-19	Public Ownership Report
08-May-19	Quarterly Report
09-May-19	Information Statement
09-May-19	[Amend-1] Notice of Annual Stockholders' Meeting

17-May-19	Information Statement
17-May-19	[Amend-1] Information Statement
29-May-19	Other SEC Forms, Reports and Requirements
30-May-19	Material Information/Transactions
30-May-19	Integrated Annual Corporate Governance Report
18-Jun-19	Result of Annual or Special Stockholders' Meeting
18-Jun-19	Result of Organizational Meeting of the Board of Directors
18-Jun-19	[Amend-1] Result of Annual or Special Stockholders' Meeting
09-Jul-19	List of Top 100 Stockholders
11-Jul-19	Public Ownership Report
01-Aug-19	Quarterly Report
07-Oct-19	Change in Corporate Contact Details and/or Website
09-Oct-19	Press Release
14-Oct-19	Material Information/Transactions
25-Oct-19	Other SEC, Forms, Reports and Requirements
08-Nov-19	Quarterly Report
13-Dec-19	Material Information/Transactions

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati City on ____________________.

By:

JIMMY T. YAOKASIN
Chairman of the Board

AUGUSTO M. COSIO, JR.
President & CEO

BERNARD B. RABANZO
Treasurer

ATTY. JOHNSTON R. BRUSOLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 29 JUN 2020 day of June 2020 affiant exhibiting to me his/their Residents Certificates/TIN, as follows:

Name	TIN
JIMMY T. YAOKASIN	129-683-430-000
AUGUSTO M. COSIO, JR.	168-603-906-000
BERNARD B. RABANZO	165-995-731-000
ATTY. JOHNSTON R. BRUSOLA	284-181-888-000

Notary Public

Doc. No. 74
Page No. 17
Book No. I
Series of 2020.

ATTY. GLADYS N. NALDA
COMMISSION NO. M-68
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31 2020
5/F EUROVILLA 4 BLDG., 853 ARNAIZ AVE.
LEGAZPI VILLAGE, MAKATI CITY
ATTORNEY'S ROLL NO. 50978
MCLE COMPLIANCE V-0018075
[illegible] 9127729/ 01-08-20/ MAKATI
[illegible] 108954/ 01-10-20/ LEYTE

MRC ALLIED, INC.
SEC SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

Consolidated Financial Statements

Supplementary Schedules

Supplementary Annex

ANNEX I

AGGREGATE MARKET VALUE OF VOTING STOCK HELD BY TOP 10 NON-AFFILIATES AS OF DECEMBER 31, 2019

MRC's Top 20 Stockholders as of December 31, 2019 are as follows:

TOP	NAME	TOTAL SHARES	MARKET PRICE TOTAL
1	PCD Nominee Corporation	3,788,932,583	378,893,258.30
2	Pan Asia Securities Corp.	264,314,000	26,431,400.00
3	EMRO Holdings, Inc.	40,833,000	4,083,300.00
4	Philippine TA Sec., Inc.	3,750,000	375,000.00
5	Bayan Financial Brokerage	3,399,500	339,950.00
6	Bougainvillea Corporation	2,429,000	242,900.00
7	Lucky Securities, Inc.	1,878,000	187,800.00
8	William T. Gabaldon	1,850,000	185,000.00
9	Pua Yok Bing	1,000,000	100,000.00
10	Victor G. Sy	900,000	90,000.00
	TOTAL	4,109,286,083*	410,928,608.30

*48.27% of Total Stockholders

ANNEX II

AGING OF ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2019

MRC Allied, Inc.
Aging of Accounts Receivable
As of December 31, 2019

	Total	1-3 mos	4-6 mos	7 mos to 1 year	1-2 years	3-5 years	Past Due Accts. & Items in Litigation
1) Type of Accounts Receivable:							
a) Trade Receivables	**112,542**					112,542	
Less: Allowance for Doubtful Accounts	**(112,542)**					(112,542)	
Net Trade Receivables	**0.00**					0.00	
b) Non- Trade Receivable:							
1. Advances							
Suppliers	**1,067,423**					1,067,423	
Officers & Employees	**384,757**				384,757	0	
	1,452,180				384,757	1,067,423	
2. Others	**11,293,788**					11,293,788	
Less: Allowance for Doubtful Accounts	**(141,903)**					(141,903)	
Net Non-Trade Receivables	**11,151,885**	0.00	0.00	0.00	0.00	11,151,885	
Net Receivable	**11,151,885**	0.00	0.00	0.00	384,757	11,151,885	

MRCALLIED

A Member of the Philippine Stock Exchange

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of **MRC Allied, Inc (the "Parent Company") and Subsidiaries (collectively, the "Group")** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Very truly yours,

JIMMY T. YAOKASIN
Chairman of the Board

AUGUSTO M. COSIO, JR.
President & Chief Executive Officer

BERNARD B. RABANZO
Chief Financial Officer

ATTY. JOHNSTON R. BRUSOLA
Corporate Secretary

Signed this 3rd day of June 2020

SUBSCRIBED & SWORN TO BEFORE ME THIS ______
DAY OF 29 JUN 2020, AFFIANT EXHIBITING TO ME HIS / HER
______ AS PROOF OF IDENTITY

5/F Eurovilla 4 Building, 853 Arnaiz Avenue,
Legaspi Village, Makati City, Metro Manila Tel. No. (02) 8846 7910 Telefax 8519-89..

ATTY. GLADYS N. NALDA
COMMISSION NO. M-68
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31 2020
5/F EUROVILLA 4 BLDG., 853 ARNAIZ AVE
LEGAZPI VILLAGE, MAKATI CITY
ATTORNEY'S ROLL NO. 50978
MCLE COMPLIANCE V-0018075
PTR NO. 8127729/ 01-08-20/ MAKATI
IBP NO. 108954/ 01-10-20/ LEYTE

DOC NO. 76
PAGE NO. 16
BOOK NO. I
SERIES NO. 2020

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	8	4	2	2	8

COMPANY NAME

MRC ALLIED, INC. (A SUBSIDIARY OF MENLO CAPITAL CORPORATION) AND SUBSIDIARIES

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

5/F Eurovilla 4 Bldg., 853 A.Arnaiz Avenue, Makati City

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

COMPANY INFORMATION

Group's Email Address	Group's Telephone Number/s	Mobile Number
–	8 846-7910	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
631	Second Monday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Bernard B. Rabanzo	–	8 846-7910	–

CONTACT PERSON'S ADDRESS

5/F Eurovilla 4 Bldg., 853 A. Arnaiz Avenue, Makati City

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5/F Eurovilla 4 Bldg.,
853 A. Arnaiz Avenue, Makati City

Opinion

We have audited the accompanying consolidated financial statements of MRC Allied, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The Group has been incurring operating expenses as it continues to explore and develop potential business ventures. Moreover, the Group had to recognize an impairment loss of ₱232.5 million on its exploration and evaluation assets in 2019 because of the reduction of its mining area. These have resulted to a deficit as discussed in Note 1 to the consolidated financial statements. These factors may cast a significant doubt on the ability of the Group to continue as a going concern.

The Group stockholders, however, have continued to provide financial support to sustain Group operations and to meet its maturing obligations. Debt-to-equity conversions of advances from stockholders in 2013 and 2012 and the equity restructuring in 2014 and 2013 have reduced the Group deficit, resulting to a positive equity of ₱203.2 million and ₱485.8 million as at December 31 2019 and 2018, respectively.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

The Group has successfully entered into potential business ventures to generate revenue. It has acquired a 15% ownership in Sulu Electric Power and Light (Philippines) Inc., which owns and operate a 50 megawatt solar Project in Palo, Leyte; a solar photovoltaic (PV) project for rice milling plants in Northern Luzon and a mall in Mindanao, and; mining sites in Mindanao with pending applications for Exploration Permit with the Mines and Geosciences Bureau.

The Group also has real estate projects in Naga City, Cebu and San Isidro, Leyte representing about 50.3% and 42.2% of Group assets as at December 31, 2019 and 2018, respectively. These two properties have an aggregate market value of ₱1,902.1 million based on the latest appraisal.

Our opinion is not modified with regard to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of Exploration and Evaluation Assets

The Group has significant exploration and evaluation assets valued at the lower of carrying amount or recoverable amount. The determination of the estimated recoverable amount of these properties is critically dependent upon the selling price of the most recent acquisitions of comparable porphyry copper-epithermal gold properties in the Philippines. There is a risk that the carrying amount of the assets may exceed the estimated recoverable amount resulting in impairment losses. Our audit procedures included the review of the mine valuation reports made by an independent appraiser and comparison of the selling price to recently transacted purchase and sale of mineral properties, including those in copper-gold projects, located in the same vicinity as the exploration and evaluation assets of the Group.

Valuation of Real Estate Projects

The Group has significant real estate projects initially measured at cost and subsequently valued at the lower of cost or net realizable value (NRV). Determination of the NRV of real estate projects involves assessment with reference to market prices at the reporting date of similar properties.. Our audit procedures included the review of the assumptions used in the latest report made by an independent appraiser which includes comparison of selling price used in the valuation with the recently transacted prices and prices of comparable properties located in the same vicinity as the real estate projects.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon.

The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

June 3, 2020
Makati City, Metro Manila

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash in banks		**₱1,086,804**	₱798,779
Trade receivables	10	**112,542**	–
Due from related parties	9	**11,293,788**	12,498,005
Real estate projects	4	**562,805,383**	562,805,383
Other current assets	5	**7,110,501**	5,025,728
Total Current Assets		**582,409,018**	581,127,895
Noncurrent Assets			
Exploration and evaluation assets	10	**231,749,591**	464,252,600
Property and equipment	6	**26,164,152**	7,524,396
Other noncurrent assets	5	**278,727,147**	281,227,147
Total Noncurrent Assets		**536,640,890**	753,004,143
		₱1,119,049,908	₱1,334,132,038
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	8	**₱16,476,502**	₱2,856,674
Loans payable	7	**25,000,000**	25,000,000
Accrued interest and penalties	7	**380,283,726**	362,213,393
Due to a related party	9	**222,474,297**	192,708,961
Subscription payable	5	**255,250,000**	255,250,000
Income tax payable		**2,660**	–
Total Current Liabilities		**899,487,185**	838,029,028
Noncurrent Liabilities			
Security deposit	10	**4,958,333**	–
Retirement liability	13	**9,262,997**	8,222,861
Net deferred tax liability	14	**2,123,245**	2,123,245
Total Noncurrent Liabilities		**16,344,575**	10,346,106
Total Liabilities		**915,831,760**	848,375,134
Equity			
Capital stock		**851,265,898**	851,265,898
Deficit		**(648,047,750)**	(365,508,994)
Total Equity		**203,218,148**	485,756,904
		₱1,119,049,908	₱1,334,132,038

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUES	10	**₱298,482**	₱–	₱–
DIRECT COST	6	**165,483**	–	–
GROSS PROFIT		**132,999**	–	–
OPERATING EXPENSES	11	**32,096,181**	38,296,461	42,203,639
LOSS FROM OPERATIONS		**31,963,182**	38,296,461	42,203,639
OTHER CHARGES - Net				
Impairment loss on exploration and evaluation assets	10	**232,503,009**	–	–
Interest expense and penalties	7	**18,070,333**	20,959,608	24,433,443
Interest income		**(428)**	–	(126)
Reversal of allowance for impairment losses	5	**–**	–	(979,906)
		250,572,914	20,959,608	23,453,411
LOSS BEFORE INCOME TAX		**282,536,096**	59,256,069	65,657,050
PROVISION FOR CURRENT INCOME TAX	14	**2,660**	–	–
NET LOSS		**282,538,756**	59,256,069	65,657,050
OTHER COMPREHENSIVE INCOME				
Not to be reclassified in profit or loss -				
Remeasurement gain on net retirement liability - net of tax	13	**–**	–	4,954,240
		–	–	4,954,240
TOTAL COMPREHENSIVE LOSS		**₱282,538,756**	₱59,256,069	₱60,702,810
BASIC/DILUTED LOSS PER SHARE	15	**₱0.033**	₱0.007	₱0.008

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Years Ended December 31		
	2019	2018	2017
CAPITAL STOCK - ₱0.10 par value			
Authorized - 15,000,000,000 shares			
Issued and outstanding - 8,512,658,975 shares	**₱851,265,898**	₱851,265,898	₱851,265,898
DEFICIT			
Balance at beginning of year	**(365,508,994)**	(306,252,925)	(245,550,115)
Net loss	**(282,538,756)**	(59,256,069)	(65,657,050)
Remeasurement gain on net retirement liability - net of tax	**–**	–	4,954,240
Balance at end of year	**(648,047,750)**	(365,508,994)	(306,252,925)
	₱203,218,148	₱485,756,904	₱545,012,973

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱282,536,096)**	(₱59,256,069)	(₱65,657,050)
Adjustments for:				
Impairment loss on exploration and evaluation assets	10	**232,503,009**	–	–
Interest expense and penalties	7	**18,070,333**	20,959,608	24,433,443
Depreciation and amortization	6	**1,218,201**	3,032,157	3,394,354
Retirement benefits expense	13	**1,040,136**	1,217,713	2,290,069
Interest income		**(428)**	–	(126)
Reversal of allowance for impairment losses	5	**–**	–	(979,906)
Operating loss before working capital changes		**(29,704,845)**	(34,046,591)	(36,519,216)
Decrease (increase) in:				
Trade receivables		**(112,542)**	–	–
Other current assets		**(2,084,773)**	(793,618)	85,076
Increase in:				
Trade and other payables		**13,619,828**	1,927,053	533,359
Security deposit		**4,958,333**	–	–
Net cash used for operations		**(13,323,999)**	(32,913,156)	(35,900,781)
Interest received		**428**	–	126
Net cash used in operating activities		**(13,323,571)**	(32,913,156)	(35,900,655)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	6	**(19,857,957)**	–	(1,421,832)
Decrease (increase) in:				
Due from related parties	9	**1,204,217**	4,035,660	(573,368)
Other noncurrent assets		**2,500,000**	–	(1,445,702)
Net cash provided by (used in) investing activities		**(16,153,740)**	4,035,660	(3,440,902)
CASH FLOWS FROM A FINANCING ACTIVITY				
Increase in due to a related party	9	**29,765,336**	28,959,487	39,190,831
NET INCREASE (DECREASE) IN CASH IN BANKS		**288,025**	81,991	(150,726)
CASH IN BANKS AT BEGINNING OF YEAR		**798,779**	716,788	867,514
CASH IN BANKS AT END OF YEAR		**₱1,086,804**	₱798,779	₱716,788

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

General Information

MRC Allied, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 20, 1990. Its shares are publicly traded in the Philippine Stock Exchange (PSE). The Parent Company and its subsidiaries (collectively referred to as “the Group”) are primarily engaged in the development and sale of real estate.

As at December 31, 2019 and 2018, the total number of Parent Company shares owned by the public aggregated 4,094,003,253 and 4,092,405,249 shares, representing 48.09% and 48.07% of the total issued shares and outstanding, respectively.

The Parent Company is 51.54% owned by Menlo Capital Corporation (MCC or Ultimate Parent), a company incorporated and domiciled in the Philippines and is engaged in the business of Investment House.

The Parent Company’s subsidiaries which were incorporated and domiciled in the Philippines are as follows:

	Date of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable energy	100
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100
Makrubber Corporation (Makrubber)	1990	Processing and export of natural rubber products	100

Makrubber has ceased commercial operations in 2011.

MREN, MRC Tampakan and MRC Surigao have not started commercial operations. MREN has a capitalization of ₱35.0 million, while MRC Surigao and MRC Tampakan have a capitalization of ₱5.0 million each.

The Parent Company’s registered principal and business address is 5/F Eurovilla 4 Bldg., 853 A. Arnaiz Avenue, Makati City.

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the Board of Directors (BOD) on June 3, 2020.

Status of Operations
The Group has incurred a deficit amounting to ₱648.0 million and ₱365.5 million as at December 31, 2019 and 2018. The Group has incurred expenses as it continues to explore and develop potential business ventures. Moreover, the Group had to recognize an impairment loss of ₱232.5 million in 2019, on its exploration and evaluation assets, arising from a Mines and Geosciences Bureau (MGB) revalidation report reducing a mining area covered by an Exploration Permit applied for by the Group (see Note 10). These factors indicate a material uncertainty which may cast a significant doubt on the ability of the Group to continue as a going concern.

The Group stockholders, however, have continued to provide financial support to sustain Group operations and to meet its maturing obligations. Debt-to-equity conversions of advances from stockholder in 2013 and 2012 and equity restructuring in 2014 and 2013 have reduced the Group deficit, resulting to a positive equity of ₱203.2 million and ₱485.8 million as at December 31, 2019 and 2018, respectively.

The Group has successfully entered into potential business ventures to generate revenue. These are as follows:

a. Clean and Renewable Energy

- Solar Power Plant

  The Parent Company has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50 megawatt solar project located in Palo, Leyte for ₱255.3 million (see Note 5). The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM).

  The Parent Company, through a subsidiary, had a service contract with the Department of Energy (DOE) for the exclusive right to explore and develop a solar project in Naga City, Cebu until the Department of Environment and Natural Resources (DENR) suspended all development activities within the area in 2018, however, management believes that the re-evaluation of the project's technical and feasibility and design by the DENR will result positively for the Group and allow the Group to resume operations (see Note 5).

- Solar Photovoltaic (PV) System Project

  The Parent Company, through MREN, has Memorandum of Agreements (Agreements) for a 550 kilowatt-power (kWp) and 1,100 kWp solar PV rooftop systems for a rice milling plant in the Northern Luzon area and a mall located in Mindanao, respectively (see Note 10).

b. Real Estate

   The Parent Company has two land banks consisting of 160-hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares raw land located in the Municipality of San Isidro, Leyte. The NCTO comprises parcels of land that are registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal dated June 1, 2017, these properties have a fair market value of ₱1,902.1 million.

In January 2020, the Department of Agrarian Reform (DAR) issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte, which includes the land owned by the Group, to qualified beneficiaries. As of date, however, the Group has not received a formal notice from the DAR or other government agencies regarding the planned distribution (see Note 4).

c. Mining

The Parent Company has Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) for the exploration and evaluation of mining sites located in Mindanao (see Note 10).

d. Export

In December 2019, the Parent Company entered into an agreement with a third party domiciled and incorporated under the laws of the Republic of China for the delivery of sand for a period of five (5) years (see Note 10).

The ability of the Group to continue as a going concern depends largely on the successful implementation and outcome of the foregoing projects and the continuing financial support of the stockholders to the Group.

---

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), which is the Group’s functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for investment in unquoted securities which are measured at fair value through other comprehensive income (FVOCI). Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange for incurring a liability.

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

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

The principal on the most advantageous market must be accessible to the Group.

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Further information about the assumptions made in measuring fair value is included in Notes 4 and 18 to the consolidated financial statements.

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

Transition. The Group has applied the requirements of PFRS 16 retrospectively, but opted not to present a third consolidated statement of financial position because the adoption of PFRS 16 did not result to a significant adjustment in the opening retained earnings of the earliest period presented.

The Parent Company has a lease agreement for its office space for a period of one year, subject to renewal on an annual basis, upon mutual agreement between the parties. The Group, however, has elected not to recognize the ROU asset and lease liability for this short-term lease agreement (see Note 12).

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss model under PFRS 9 shall be applied to these long-term interests.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020 –

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, an integrated set of activities and assets must now include an input and a substantive process that together significantly contribute to the ability to create an output. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017.

Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies for like transactions and other events in similar circumstances.

All significant intercompany balances and transactions, including inter-group unrealized profits and losses resulting from intercompany transactions, are eliminated in full in preparing the consolidated financial statements. Changes in the controlling equity ownership (i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The Group does not have financial assets and liabilities at FVPL and debt instruments designated at FVOCI as at December 31, 2019 and 2018.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Group's cash in banks, trade receivables and due from related parties are classified under this category (see Notes 9 and 10).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income (OCI) are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2019 and 2018, the Group designated its investment in unquoted equity securities as financial asset at FVOCI (see Note 5).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2019 and 2018, the Group's trade and other payables (excluding statutory payable), loans payable, accrued interest and penalties, subscription payable, amounts due to a related party, and security deposit are classified under this category (see Notes 5, 7, 8, 9 and 10).

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost
The Group records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, as appropriate, and on assessment of both the current as well as the forecast direction of condition at the reporting date, including time value of money where appropriate.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Real Estate Projects
Real estate projects are valued at the lower of cost or net realizable value (NRV). Expenditures for development and improvements are capitalized as part of the cost of the land. Costs of land and improvements include interest incurred on loans while development is in progress, the proceeds of which were used to finance the development of the land. Interest capitalization is suspended for the periods in which there are no active development and improvements. NRV is the fair value in the ordinary course of business less marketing costs.

Other Current Assets
Other current assets consist of input value-added tax (VAT), deposits, creditable withholding tax (CWT) and advances to a contractor.

Input VAT. Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's current VAT liability.

Deposits. Deposits represent payments made in relation to the lease and other agreements entered into by the Group. These are carried at cost less any impairment in value, and will generally be applied as lease payment or final payment at the end of the agreements.

CWT. CWT represent taxes withheld by the Group's customers as required under Philippine taxation laws and regulations. CWT is recognized as asset and will be used to offset against the Group's income tax liability.

Advances to a Contractor. Advances to a contractor pertains to advance payment for purchase of goods and services which are not yet received by or rendered to the Company.

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Group's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. These shall be written-off if the results of the exploration work are determined to be not commercially viable. If the results are commercially viable, the deferred expenditures and the subsequent development cost shall be capitalized and amortized from the start of commercial operations using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less impairment loss, if any.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are recognized in the consolidated statements of comprehensive income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Solar PV system	20
Transportation equipment	5
Furniture, fixtures and equipment	3
Leasehold improvements	3 years or term of the lease whichever is shorter
Land improvements	5

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation are removed from the accruals and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

Other Noncurrent Assets
Other noncurrent assets owned by the Group are assets that are not expected to be realized within the normal operating cycle. These are accounted for at cost less impairment in value.

Predevelopment costs. Predevelopment costs are stated at the amount of cash given up by the Group less impairment in value. The Group capitalizes predevelopment costs if it is probable that such cost will be realized through the ultimate construction of a solar power plant. These also include other costs directly related to the development of the solar power project.

Paintings. Paintings are valuable and treasured art pieces that do not have a determinable useful life. While the actual physical condition of the property may influence the value placed on the object, it will not ordinarily limit or determine its useful life. Accordingly, no depreciation or amortization is provided.

Impairment of Nonfinancial Assets
Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, the increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock
Capital stock represents the par value of the issued shares.

Deficit
Deficit represents cumulative balance of the Group's result of operations.

Basic and Diluted Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent
Basic EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year excluding shares held by subsidiaries, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting
An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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

Service fee. Revenue is recognized as income when the related services have been rendered based on contractual terms.

Interest Income. Interest income is recognized as it accrues based on the effective interest method.

Cost and Expenses Recognition
Cost and expenses are recognized in the statements of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase of liability has arisen that can be measured reliably.

Direct Cost. Direct cost is recognized as expense when the related service is rendered.

Operating Expenses. Operating expenses constitute cost of administering the business. These are expensed as incurred.

Interest Expense. Interest expense represents the cost of money used in operations. It is recognized as incurred using the effective interest rate method.

Penalties. Penalties represent the cost of money paid for late charges. These are expensed as incurred.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16.

Group as a Lessee. The Group applies the short-term lease recognition exemption to its short-term lease of office space (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Employee Benefits

Short-term Benefits. The Group provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. The Group has an unfunded, defined benefit retirement plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements, and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment curtailment, and the date the Group recognizes restructuring related costs.

Remeasurements pertaining to actuarial gains and losses are recognized immediately in OCI and are closed to retained earnings (deficit) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized under OCI and outside profit or loss.

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

Related Party Relationships and Transactions

Related party relationships exist 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 relationships also exist 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 stockholders. Related parties may be individuals or corporate entities. An entity is also related to the Group when it directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's-length prices or terms similar to those offered to non-related entities in an economically comparable market.

Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires management to exercise judgments, make accounting estimates and assumptions that affect amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments
In the process of applying the Group's policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Assessing the Ability of the Group to Continue as a Going Concern. The Group has incurred deficit amounting to ₱648.0 million and ₱365.5 million as at December 31, 2019 and 2018, respectively. The Group has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy and mining. Moreover, in 2019, the Group recognized an impairment loss on exploration and evaluation assets amounting to ₱232.5 million as a result of the reduction of the mining area covered by the Group's pending application for EP for a mine site in Mindanao from 8,475.60 hectares to 593.19 hectares (see Note 10).

The Parent Company, through its subsidiary, also has a service contract with the DOE for the exclusive right to explore and develop a solar project in Naga City, Cebu. However, because of the supervening events affecting the condition and feasibility of the location, the DENR ordered the suspension of all development activities within the area in 2018. Its subsidiary had to surrender the service contract with the DOE which will then re-evaluate the project's technical feasibility and design. The result of the re-evaluation is still pending as at December 31, 2019 (see Note 5).

In addition, the Group's land located in San Isidro, Leyte with carrying amount of ₱359.3 million is subject to a possible government reclamation and subsequent distribution to qualified agrarian reform beneficiaries under the Comprehensive Agrarian Reform Program (CARP). As at December 31, 2019, the Group has not yet received any formal notice or correspondence from the DAR or other government agencies with regard to the planned distribution (see Note 4).

The Group has business development projects as discussed in Note 1 and two land banks with appraised value of ₱1,902.1 million. Moreover, the stockholders have continued to provide financial support to sustain the Group's operations. Based on the foregoing plans, management has assessed that the Group has the ability to continue to operate on a going concern basis.

Classifying Financial Instruments. The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statements of financial position. The Group classifies its 15% ownership in the unquoted shares of SEPALCO as financial assets at FVOCI. Management has assessed that its carrying amount approximates its fair value.

Establishing Control over Investment in Subsidiaries. The Parent Company determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following factors were also considered:

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements

- The Parent Company's voting rights and potential voting rights

Determining Whether an Agreement Contains a Lease. The Group determined whether agreements entered into contain a lease based on the substance of the arrangement at inception date. In determining whether an agreement contains a lease, management assessed whether the arrangement is dependent on the use of a specific asset or assets, conveys a right to uses of the asset and transfers substantially all the risks and rewards incidental to ownership to the Group.

The Group has entered into an agreement for the general technical and associated requirements for the design, supply, delivery, installation, testing and commissioning of a solar PV project. Management accounted for the arrangement as a power purchase agreement accounted for as normal executory contract.

Classifying Lease Commitments - Group as a Lessee. The Group has entered into a lease agreement for its office space for a period of one year. The Group elected not to recognize ROU assets and lease liability for short-term leases. The Group recognizes the lease payments associated with this agreement as an expense on a straight-line basis over the lease term.

Assessing Legal Contingencies. The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As at December 31, 2019, the Group is involved in litigations and claims, which arise in the normal course of business. Management and its legal counsel believe, however, that the ultimate outcome of these cases will not materially affect the Group's financial position, financial performance and cash flows. No provision for impairment losses arising from legal contingencies was recognized in the consolidated financial statements as at December 31, 2019 and 2018.

Estimates and Assumptions

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

Assessing the ECL on Trade Receivables. When the Group assessed that there is a significant change in the credit risk, the Group estimates ECL on trade receivables using a provision matrix. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Group assessed that the credit risk on trade has not increased significantly since initial recognition as these financial assets is determined to have low credit risk and the Group has firm established relationships with its customers and other counterparties.

No provision for ECL was recognized in 2019 and 2018. The carrying amount of trade receivables amounted to ₱0.1 million and nil as at December 31, 2019 and 2018, respectively (see Note 10).

Assessing the ECL on Other Financial Assets at Amortized Cost. The Group measures the loss allowance for a financial asset at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward-looking. For financial instruments for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

No allowance for ECL was recognized in 2019 and 2018. The carrying amount of due from related parties amounted to ₱11.3 million and ₱12.5 million as at December 31, 2019 and 2018, respectively (see Note 9).

Estimating the Net Realizable Value of Real Estate Projects. The Group assesses whether the carrying amounts of real estate projects exceeds its NRV. The NRV for real estate projects is assessed by reference to market conditions and prices existing at the reporting date and is determined based on comparable transactions identified by the Group for properties in the same geographical market. The Group recognizes allowance for impairment losses on its real estate projects when the carrying value exceeds NRV.

No provision for impairment losses was recognized in 2019, 2018 and 2017 because the NRV of the real estate projects is higher than its carrying amount.

The carrying amount of the real estate projects amounted to ₱562.8 million as at December 31, 2019 and 2018. The fair value of the real estate projects aggregated ₱1,902.1 million based on the latest appraisal report (see Note 4).

Estimating Useful Lives of Property and Equipment. The useful lives of each item of the Group's property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of the property and equipment in 2019 and 2018.

The carrying amount of property and equipment amounted to ₱26.2 million and ₱7.5 million as at December 31, 2019 and 2018, respectively (see Note 6).

Assessing the Impairment of Nonfinancial Assets. The Group determines whether an asset is impaired when indication exists, or when an annual impairment testing for an asset is required. Determining the fair value of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, require the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's consolidated financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

Reversal of allowance for impairment losses amounted to nil in 2019 and 2018 and ₱1.0 million in 2017 (see Note 5).

Provision for impairment losses on the Group's nonfinancial assets amounted to nil in 2019 and 2018 and ₱1.5 million in 2017. Allowance for impairment losses on other current assets amounted to ₱7.2 million and ₱8.6 million as at December 31, 2019 and 2018, respectively (see Note 5).

The carrying amount of nonfinancial assets are as follows:

	Note	**2019**	2018
Other current assets	5	**₱7,110,501**	₱5,025,728
Property and equipment	6	**26,164,152**	7,524,396
Other noncurrent assets*	5	**23,477,147**	25,977,147

**Excluding financial asset at FVOCI*

Estimating the Recoverability of Exploration and Evaluation Assets. The application of the Group's accounting policy for exploration and evaluation assets requires judgment in determining whether the future economic benefits are likely, based on assumptions made and may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the new information becomes available. The Group reviews the carrying amount of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable values and exceed their fair values.

The mining sites have ongoing applications for EP with the MGB which is already in the final stage of evaluation and will be issued a memorandum advice containing the result of their evaluation and the Group's compliance therein will lead to the issuance of the clearance for the approval of the applications for EP. Moreover, the fair market value of the EP based on independent engineer's valuation is higher than its carrying value.

The fair market values of the EP are arrived at using the Comparable Sales Approach which assumes that a purchaser of a mine would not be justified in paying more for a property than it would cost him to acquire an equally desirable substitute mineral property. Moreover, this approach assumes an open market, exposure for a reasonable period of time, knowledgeable buyers and sellers, absence of duress on both buyer and seller, and a sufficient number of transactions to create a stable market.

The most significant assumptions in the valuation report are the recent comparable sales of porphyry copper-epithermal gold properties in the Philippines and the status of the EP applications which are in the final stage of processing by the MGB.

Impairment loss on exploration and evaluation assets amounting to ₱232.5 million was recognized in 2019 due to the reduction of the mining area covered by an Exploration Permit applied for by the Parent Company. No impairment loss was recognized in 2018 and 2017 (see Note 10).

Exploration and evaluation assets amounted to ₱231.7 million and ₱464.3 million as at December 31, 2019 and 2018, respectively (see Note 10).

Determining Retirement Liability. The determination of the obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions, notwithstanding the simplification in estimating retirement liability; the Group still makes a certain assumption particularly on discount rates and expected salary increase rates as indicated in Note 13. While the Group believes that the assumption is reasonable and appropriate, significant differences in the actual experience or significant changes in the assumption may materially affect the retirement liability.

Retirement liability amounted to ₱9.3 million and ₱8.2 million as at December 31, 2019 and 2018, respectively (see Note 13).

Assessing the Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of NOLCO and excess MCIT is based on the forecasted taxable income of the following reporting period. This forecast is based on the Group's past results and future expectations on revenue and expenses.

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

The Group's unrecognized deferred tax assets amounted to ₱125.7 million and ₱59.3 million as at December 31, 2019 and 2018, respectively respectively, since management has assessed that there will be no future taxable income against which these tax benefits can be utilized (see Note 14).

4. **Real Estate Projects**

This account, which is stated at cost, consists of:

	2019	2018
AWT	**₱359,257,715**	₱359,257,715
NCTO	**203,547,668**	203,547,668
	₱562,805,383	₱562,805,383

These land banks comprising 160-hectare industrial estate in Naga City, Cebu (NCTO) and 700-hectare land in Leyte (AWT) are valued at ₱1,100.0 million and ₱802.1 million, respectively, based on a valuation report by an independent appraiser dated June 13, 2017.

The valuation of the real estate projects applied the sales comparison approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity and the related market data. These are adjusted for the difference in location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability of the specific property.

This fair value measurement is categorized as Level 3 (significant unobservable input). Management believes that this value is indicative of the fair value of the properties.

There were no borrowing costs capitalized as at December 31, 2019 and 2018.

In January 2020, the DAR issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte, which includes the land owned by the Parent Company, to qualified agrarian reform beneficiaries under the CARP. As of the date of the approval and issuance of these consolidated financial statements, the Group has not received a formal notice from the DAR or other government agencies regarding the planned distribution.

5. **Other Assets**

Current

This account consists of:

	Note	**2019**	2018
Input VAT		**₱6,043,077**	₱6,491,389
Deposits	12	**3,735,443**	3,735,443
CWT		**3,418,129**	3,418,129
Advances to a contractor		**1,067,423**	–
		14,264,072	13,644,961
Less allowance for impairment losses of current assets		**7,153,571**	8,619,233
		₱7,110,501	₱5,025,728

Movements in the allowance for impairment losses of current assets are as follows:

	Note	**2019**	2018	2017
Balance at beginning of year		**₱8,619,233**	₱8,619,233	₱8,133,477
Write-off		**(1,465,662)**	–	–
Provision for impairment losses	11	**–**	–	1,465,662
Reversal of allowance for impairment losses		**–**	–	(979,906)
Balance at end of year		**₱7,153,571**	₱8,619,233	₱8,619,233

In 2019, the Group wrote-off non-recoverable input VAT amounting to ₱1.5 million.

Noncurrent

This account consists of:

	2019	2018
Financial asset at FVOCI	**₱255,250,000**	₱255,250,000
Paintings	**–**	2,500,000
Predevelopment costs	**23,477,147**	23,477,147
	₱278,727,147	₱281,227,147

Predevelopment costs pertain mainly to the costs of feasibility studies, permits and payments to technical consultants related to the MREN's solar project in Naga, Cebu. As discussed in Note 1, the DENR ordered the suspension of the development activities within the solar project's area because of supervening events affecting the area's condition and feasibility. As a result, the MREN had to surrender its service contract with the DOE to allow the re-evaluation of the project's technical feasibility and design. The result of the evaluation is still pending as at December 31, 2019 (see Note 1).

Financial asset at FVOCI pertains to the 15% investment in the shares of stock of SEPALCO. The related subscription payable is due and demandable.

The Group designated its investment in SEPALCO as financial asset at FVOCI because the Group intends to hold this investment for the long term and for strategic purposes. The Group assessed that the cost of investment is an appropriate estimate of its fair value because there have been no significant developments from the date the investment was acquired that could drive significant change in fair value as at December 31, 2019 and 2018.

No financial asset at FVOCI were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

6. **Property and Equipment**

Details and movements of this account follow:

	2019					
	Land	**Solar PV system**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Land and Leasehold Improvements**	**Total**
Cost						
Balance at beginning of year	**₱1,045,000**	**₱–**	**₱10,920,120**	**₱3,181,700**	**₱13,376,170**	**₱28,522,990**
Additions	**–**	**19,857,957**	**–**	**–**	**–**	**19,857,957**
Balance at end of year	**1,045,000**	**19,857,957**	**10,920,120**	**3,181,700**	**13,376,170**	**48,380,947**
Accumulated Depreciation and Amortization						
Balances at beginning of year	**–**	**–**	**6,074,355**	**2,784,215**	**12,140,024**	**20,998,594**
Depreciation and amortization	**–**	**165,483**	**978,084**	**74,634**	**–**	**1,218,201**
Balances at end of year	**–**	**165,483**	**7,052,439**	**2,858,849**	**12,140,024**	**22,216,795**
Carrying Amount	**₱1,045,000**	**₱19,692,474**	**₱3,867,681**	**₱322,851**	**₱1,236,146**	**₱26,164,152**

	2018				
	Land	Transportation Equipment	Furniture, Fixtures and Equipment	Land and Leasehold Improvements	Total
Cost					
Balance at beginning and end of year	₱1,045,000	₱10,920,120	₱3,181,700	₱13,376,170	₱28,522,990
Accumulated Depreciation and Amortization					
Balances at beginning of year	–	4,966,141	2,548,032	10,452,264	17,966,437
Depreciation and amortization	–	1,108,214	236,183	1,687,760	3,032,157
Balances at end of year	–	6,074,355	2,784,215	12,140,024	20,998,594
Carrying Amount	₱1,045,000	₱4,845,765	₱397,485	₱1,236,146	₱7,524,396

Fully depreciated property and equipment with cost and accumulated depreciation amounting to ₱16.9 million and ₱15.7 million as at December 31, 2019 and 2018, respectively, are still being used in operations.

Depreciation and amortization expense is recognized as follows:

	Note	**2019**	2018	2017
Operating expenses	11	**₱1,052,718**	₱3,032,157	₱3,394,354
Direct cost		**165,483**	–	–
		₱1,218,201	₱3,032,157	₱3,394,354

7. Loans Payable

Bank loan amounting to ₱25.0 million represents unsecured, due and demandable loan payable to First Metro Investment Corporation (FMIC) with 13% annual interest.

Interest and penalties from this loan consist of:

	2019	2018	2017
Interest	**₱3,254,301**	₱3,246,302	₱3,256,301
Penalties	**14,816,032**	17,713,306	21,177,142
	₱18,070,333	₱20,959,608	₱24,433,443

Accrued interest and penalties amounted to ₱380.3 million and ₱362.2 million as at December 31, 2019 and 2018, respectively.

8. Trade and Other Payables

This account consists of:

	2019	2018
Trade	**₱10,769,539**	₱–
Accrued expenses:		
Management and professional fees	**1,194,853**	744,852
Rent	**227,636**	104,107
Statutory payables	**2,060,383**	2,007,715
Retention payable	**2,224,091**	–
	₱16,476,502	₱2,856,674

Trade payables are noninterest-bearing and payable based on the normal credit terms of the supplier.

Accrued expenses are normally settled immediately in the succeeding year.

Statutory payables include withholding taxes and payables to other regulatory agencies to be settled in the subsequent month.

Retention payable pertains to the amount retained by the Group from the payable to contractors and is expected to be refundable within one year from the completion of the solar PV system.

9. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties.

The following summarizes the related party transactions of the Group and its outstanding balances as at and for the years ended December 31, 2019 and 2018:

	Nature of Transactions	Transactions during the Year 2019	Transactions during the Year 2018	Outstanding Balance 2019	Outstanding Balance 2018
Due from :					
Stockholder	Advances for working capital	**(₱1,196,417)**	(₱3,770,720)	**₱11,163,476**	₱12,359,893
Officers	Advances for business purpose	**(7,800)**	(264,940)	**384,757**	392,557
Less allowance for impairment losses		**–**	–	**254,445**	254,445
		(₱1,204,217)	(₱4,035,660)	**₱11,293,788**	₱12,498,005
Due to -					
Ultimate Parent	Advances for working capital	**₱29,765,336**	₱28,959,487	**₱222,474,297**	₱192,708,961

Terms and Conditions
Advances made to officers are unsecured, noninterest-bearing and are settled through liquidation and salary deduction for a specified period of time.

Outstanding balances from related parties, except for advances to officers, are unsecured, noninterest-bearing, collectible or payable on demand and are settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

No provision for ECL on due from related parties was provided in 2019, 2018 and 2017.

Key Management Personnel
Management and professional fees of key management personnel of the Group amounted to ₱3.6 million in 2019, ₱1.5 million in 2018 and ₱1.1 million in 2017.

10. Significant Agreements

Mines Operating Agreements (MOA)
The Group entered into MOA for gold and copper covering mining areas where Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) have applications for EP or Mineral Production Sharing Agreement (MPSA) with the MGB. These are summarized as follows:

Holder	Date	Location	No. of Hectares as at December 31, 2019	No. of Hectares as at December 31, 2018
AMC	November 8, 2010	Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,559.1	7,559.1
	January 7, 2011	Marihatag, Surigao del Sur	3,759.3	3,759.3
PMC	February 4, 2011	Paquibato, Davao City	593.2	8,475.6
	March 28, 2011	Boston and Cateel, Davao Oriental	4,860.0	4,860.0

In consideration for the MOA dated November 8, 2010 and February 4, 2011, MCC, a stockholder, issued 600 million MCC shares each to AMC and PMC in 2011 equivalent to ₱464.3 million. MCC also paid for the costs on pre-exploration activities amounting to ₱20.0 million.

The Parent Company has not yet transferred the 600 million common shares at ₱0.10 par value for the MOA dated March 28, 2011 pending the final determination of the mining areas by PMC. The consideration for the MOA dated January 7, 2011, which was entered into by MRC Surigao, is subject to a separate agreement.

With the lifting of the moratorium on mining applications, the MGB released the result of its re-validation of the mining area covered by the Parent Company's application for EP for its MOA with PMC dated February 4, 2011. MGB's re-validation determined that a huge portion of the mining area covered by the application falls within the "Areas Closed to Mining Applications" pursuant to the pertinent provisions of the DENR Administrative Order No. 2012-07, implementing rules and regulations of Executive Order No. 79, as amended (the Administrative Order), while certain portions are situated within the Davao City Conservation Area. Hence, the mining area applied for by the said EP has been reduced from 8,475.60 hectares to 593.19 hectares resulting to the recognition of an impairment loss of ₱232.5 million.

The Parent Company continues to pursue its pending applications for EP for the other mine sites which are in the final stage of evaluation by the MGB. The MGB is set to issue letter-notices on the results of the evaluation and the Parent Company's full compliance with the requirements included in these notices are crucial for the approval of the said applications.

The carrying amount of the exploration and evaluation assets amounted to ₱231.7 million and ₱464.3 million as at December 31, 2019 and 2018, respectively.

Each MOA provides for, among others:

- 3% royalty on gross proceeds or gross sales of all mineral production payable 15 days after every three months commencing at the end of the first full quarter after the commencement of production; and

- ₱2.0 million to ₱3.0 million royalty advances at every anniversary date of the MOA. However, the Group has not yet provided any royalty advances for the MOA dated March 28, 2011 due to pending exploration permits.

Moreover, the Parent Company will assume all financial costs and expenditures and provide all technical expertise, manpower and support to AMC and PMC to get the necessary MPSA for the mining areas and to comply with the tenement requirements to bring the mining agreements into commercial mining production and operation within the earliest time possible. The agreements with the Philippine government shall always be in the name of AMC and PMC with the Group as the operator.

Solar Power Projects

a. In 2018, MREN has entered into Agreements to develop, design, construct and install a 550 kWp and 1,100 kWp solar PV system for a third party rice miller located in the Northern Luzon area and a mall located in Mindanao, respectively. These Agreements were pursued and implemented through MREN.

In October 2019, MREN has completed the procurement, design, testing and commissioning of the 550 kWp solar PV system project. MREN is responsible in operating and maintaining the solar PV system, which includes, among others: (a) reading and inspecting the solar billing meter; (b) conduct any testing, inspection, repair, recalibration and replacement of the solar PV metering system; and (c) sending of monthly invoice.

The proposed capacity of the project is 550 kilowatts with agreed generation charge of ₱7.00/ kilowatt-hour (kWh) for a period of twenty (20) years. The generation charge can be lowered to ₱6.75/kWh for eighteen (18) years when the total capacity reaches two (2) megawatts and upon mutual agreement of the parties. Throughout the term of the Agreement, the solar PV system shall be owned solely by MREN, except when the provisions on early termination, which includes default or dissolution of the parties and option to buy, among others, are met.

The Agreement provides for, among others:

- Monthly variable service fee, calculated by applying the agreed rate of ₱7.00/per kWh, or distribution utility (DU) rate whichever is lower but subject to floor rate of ₱6.50/per kWh, to the monthly Net Energy Output. The total monthly fee shall be subject to adjustments from daily downtime inclusion and/or other fees due by reason of violation or breach of the agreement.

  Revenue from the Agreement amounted to ₱0.3 million in 2019. Receivable from Agreement amounting to ₱0.1 million is outstanding as at December 31, 2019. These are noninterest-bearing and are usually collected within 30 days.

- Security deposits, in the form of surety bond or cash. Surety bond must be demandable at any time during the term of this agreement and should be issued by a surety or insurance Group duly certified by the Insurance Commission, in the amount of ₱5.0 million. Security deposits in the form of cash shall be deposited and maintained to a specified account to be agreed by the parties. This deposit shall be forfeited in favor of MREN in case of any default by the other party in the terms of the agreement. Security deposit amounted to ₱5.0 million as at December 31, 2019.

On March 1, 2019, MREN re-executed the Agreement for the 1,100 kWp solar PV project in a mall located in Mindanao. The project was put on-hold to pending the result of the assessment of the structural integrity of the building which may have been compromised because of recent earthquakes that occurred in the area.

b. The Parent Company, through MREN, had a Solar Energy Service Contract with the DOE for the exclusive right to explore and develop a solar project in Naga, Cebu which is in predevelopment stage. MREN, among others, has to secure the necessary permits and clearances from all relevant government entities for the project. It also has to perform exploration, assessment, field verification, harnessing, piloting and other activities and provide technology and financing in connection with the predevelopment stage.

However, in 2018, the DENR ordered the suspension of the development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Group had to surrender its service contract with the DOE to allow for the re-evaluation of the project's technical feasibility and design. The result of said re-evaluation is still pending as at December 31, 2019. Predevelopment costs pertaining to the costs of feasibility studies, permits and payments to technical consultants related to project amounted to ₱23.5 million as at December 31, 2019 and 2018 (see Note 5).

Export
In December 2019, the Parent Company signed a natural sand sale and purchase agreement with a third party incorporated under the laws of the Republic of China for the delivery of a natural river sand in bulk from a potential seller for a fixed price per metric ton. The agreement has a period of five (5) years.

11. Operating Expenses

This account consists of:

	Note	**2019**	2018	2017
Salaries, wages and employee benefits	13	**₱20,637,987**	₱18,939,661	₱17,954,100
Management and professional fees		**3,865,889**	3,783,558	3,933,032
Rent	12	**1,441,490**	1,243,229	3,524,539
Entertainment, amusement and representation		**1,081,116**	2,587,609	3,465,872
Depreciation and amortization	6	**1,052,718**	3,032,157	3,394,354
Transportation and travel		**981,852**	839,197	1,122,826
Communication, light and water		**592,713**	722,439	458,675
Taxes and licenses		**314,863**	2,666,747	490,030
Dues and subscriptions		**270,854**	336,347	3,680,869
Fuel and oil		**161,375**	251,807	336,805
Supplies		**147,951**	186,073	238,352
Repairs and maintenance		**17,276**	63,365	218,966
Provision for impairment losses on other current assets	5	**–**	–	1,465,662
Others		**1,530,097**	3,644,272	1,919,557
		₱32,096,181	₱38,296,461	₱42,203,639

Others represent marketing, insurance, donations, service charges, security services and other miscellaneous expenses.

12. Leases

The Parent Company has operating lease agreement with a third party lessor for its office space. The lease agreement is valid for one year and may be extended for another period subject to terms and conditions as may be agreed upon by both parties. Deposits on lease contract amounted to ₱3.7 million as at December 31, 2019 and 2018 (see Note 5).

Rental expense charged to "Operating expenses" account amounted to ₱1.4 million in 2019 and ₱1.2 million in 2018 and ₱3.5 million 2017 (see Note 11).

13. **Retirement Benefits**

The Group has an unfunded, defined benefit retirement plan covering all of its qualified employees.

The latest actuarial valuation is at December 31, 2017. The Group did not obtain an actuarial valuation as at December 31, 2019 and 2018 because the Group believes that the difference between the retirement liability as determined by an actuarial valuation and retirement liability recorded is not significant.

The components of retirement liability recognized in the consolidated statements of financial position are as follows:

	2019	2018	2017
Balance at beginning of year	**₱8,222,861**	₱7,005,148	₱11,792,564
Retirement benefits expense:			
Current service cost	**681,795**	691,713	584,911
Interest cost	**358,341**	526,000	1,705,158
Remeasurement gain	**—**	—	(7,077,485)
Balance at end of year	**₱9,262,997**	₱8,222,861	₱7,005,148

Retirement benefits expense presented under "Salaries, wages and employee benefits" amounted to ₱1.0 million in 2019, ₱1.2 million in 2018 and ₱2.3 million in 2017 (see Note 11).

The actuarial assumptions used to determine the retirement benefits are as follows:

	2019	2018	2017
Discount rates	**5.11%**	7.51%	5.70%
Expected rates of salary increase	**10.00%**	10.00%	10.00%

Sensitivity analysis based on reasonable possible changes of assumptions are as follows:

	Basis Points	**2019**	2018	2017
Discount rate	+100	**(₱1,805,688)**	(₱1,540,134)	(₱1,070,310)
	-100	**2,266,785**	1,914,710	1,070,310
Salary rate	+125	**2,133,077**	1,847,883	986,162
	-125	**(1,748,051)**	(1,521,232)	(986,162)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The weighted average duration of the retirement benefit plan is 17 years in 2019.

The maturity analysis based on a 10-year projection of expected future benefit payments amounted to ₱0.3 million for the financial year 2019.

14. **Income Taxes**

The Group's provision for current income tax pertains to MCIT in 2019. No provision for income tax in 2018 and 2017 due to its taxable loss position.

The reconciliation of income tax computed using the statutory tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2019	2018	2017
Income tax benefit computed at statutory tax rate	**(₱84,760,829)**	(₱17,776,821)	(₱19,697,115)
Change in unrecognized deferred tax assets	**66,367,383**	(67,027,556)	6,008,281
Tax effects of:			
Expired NOLCO	**18,033,489**	83,771,625	12,209,396
Nondeductible expenses	**323,459**	776,283	1,479,476
Expired excess MCIT over RCIT	**39,286**	256,469	–
Interest income subject to final tax	**(128)**	–	(38)
	₱2,660	₱–	₱–

The Group did not recognize deferred tax assets amounting to ₱125.7 million and ₱59.3 million as at December 31, 2019 and 2018, respectively, as it is not probable that sufficient taxable income will be available against which the benefit of the deferred tax assets can be utilized.

The components giving rise to unrecognized deferred tax assets are summarized below:

	2019	2018
Impairment loss of exploration and evaluation assets	**₱69,750,903**	₱–
NOLCO	**48,834,406**	52,493,341
Retirement liability	**4,902,145**	4,590,104
Allowance for impairment losses of current assets	**2,146,071**	2,146,071
Allowance for uncollectible trade and other receivables	**76,334**	76,334
Excess MCIT over RCIT	**2,660**	39,286
	₱125,712,519	₱59,345,136

The Group's deferred tax liability amounting to ₱2.1 million as at December 31, 2019 and 2018 pertains to remeasurement gain on retirement liability.

As at December 31, 2019, the Group has NOLCO that can be carried forward and claimed as deduction against the regular taxable income as follows:

Year Incurred	Amount	Utilized	Expired	Balance	Expiry
2019	₱47,915,178	₱–	₱–	₱47,915,178	2022
2018	55,450,747	–	–	55,450,747	2021
2017	59,415,428	–	–	59,415,428	2020
2016	60,111,629	–	60,111,629	–	2019
	₱222,892,982	₱–	₱60,111,629	₱162,781,353	

Movements of MCIT are as follows:

Year Incurred	Amount	Utilized	Expired	Balance	Expiry
2019	₱2,660	₱–	₱–	₱2,660	2022
2016	39,286	–	39,286	–	2019
	₱41,946	₱–	₱39,286	₱2,660	

PEZA Registration

The Group is an ecozone developer/operator of NCTO and AWT pursuant to Republic Act (RA) No. 7916 as amended by RA No. 8748. As a PEZA-registered developer/operator, the Group is subject to 5% tax on gross income of the PEZA-registered activities in lieu of all national and local taxes. As at December 31, 2019, the Group has no PEZA-registered activities.

15. Basic/Diluted Loss Per Share

The following reflects the net loss and share data used in the basic/dilutive loss per share computations:

	2019	2018	2017
Net loss (a)	**(₱282,538,756)**	(₱59,256,069)	(₱65,657,050)
Weighted average number of outstanding shares (b)	**8,512,658,975**	8,512,658,975	8,512,658,975
Basic/diluted loss per share (a/b)	**(₱0.033)**	(₱0.007)	(₱0.008)

The Group has no dilutive potential common shares in 2019, 2018 and 2017.

16. Events After the Reporting Period

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on the Group operations and financial performance, however, cannot be reasonably determined as at our report date.

Nonetheless, the Group believes that it can remain a going concern given its access to short-term and long-term funding.

17. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are cash in banks, trade receivables, due from related parties, financial asset at FVOCI, trade and other payables, loans payable, accrued interest and penalties, subscription payable, due to a related party and security deposits.

The BOD is responsible for the Group's risk management. The Group has risk management policies to identify and manage Group exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks which are summarized below.

Credit Risk. Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. Credit risk from balances with banks and related parties are managed by the Group's management in accordance with the policies set by the BOD. The Group's maximum exposure of credit risk is equal to the carrying amounts of the financial assets.

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

	2019	2018
Cash in banks	**₱1,086,804**	₱798,779
Trade receivables	**112,542**	–
Due from related parties	**11,293,788**	12,498,005
Total credit risk exposure	**₱12,493,134**	₱13,296,784

The tables below show the credit quality and aging analysis of the Group's financial assets as at December 31, 2019 and 2018:

	2019							
	Neither Past Due nor Impaired			**Past Due but not Impaired**				
	High Grade	**Standard Grade**	**Substandard Grade**	**1 - 30 Days**	**31 - 60 Days**	**More than 60 Days**	**Impaired**	**Total**
Cash in banks	**₱1,086,804**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,086,804**
Trade receivables	**–**	**112,542**	**–**	**–**	**–**	**–**	**–**	**112,542**
Due from related parties	**–**	**11,293,788**	**–**	**–**	**–**	**–**	**254,445**	**11,548,233**
	₱1,086,804	**₱11,406,330**	**₱–**	**₱–**	**₱–**	**₱–**	**₱254,445**	**₱12,747,579**

	2018							
	Neither Past Due nor Impaired			Past Due but not Impaired				
	High Grade	Standard Grade	Substandard Grade	1 - 30 Days	31 - 60 Days	More than 60 Days	Impaired	Total
Cash in banks	₱798,779	₱–	₱–	₱–	₱–	₱–	₱–	₱798,779
Due from related parties	–	12,498,005	–	–	–	–	254,445	12,752,450
	₱798,779	₱12,498,005	₱–	₱–	₱–	₱–	₱254,445	₱13,551,229

The credit quality of the receivables is managed by the Group using internal credit quality ratings. High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Financial assets that are still collectible but require persistent effort from the Group to collect are considered substandard grade accounts. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible. Financial assets that are most likely uncollectible are considered as impaired.

At the reporting date, there is no significant concentration of credit risk.

Liquidity Risk. The Group's objective is to maintain a balance between continuity of funding and flexibility through availment of loans and advances from related parties. The maturity profile of the Group's financial liabilities as at December 31, 2019 and 2018 based on contractual payments follow:

	2019				
	Total	**Contractual Undiscounted Payments**			
	Carrying Amount	**On Demand**	**< 1 Year**	**1 to 5 Years**	**> 5 Years**
Trade and other payables*	**₱14,416,119**	**₱–**	**₱14,416,119**	**₱–**	**₱–**
Loans payable	**25,000,000**	**25,000,000**	**–**	**–**	**–**
Accrued interest and penalties	**380,283,726**	**380,283,726**	**–**	**–**	**–**
Subscription payable	**255,250,000**	**255,250,000**	**–**	**–**	**–**
Due to a related party	**222,474,297**	**222,474,297**	**–**	**–**	**–**
Security deposit	**4,958,333**	**–**	**–**	**4,958,333**	**–**
	₱902,382,475	**₱883,008,023**	**₱14,416,119**	**₱4,958,333**	**₱–**

**Excluding statutory payables amounting to ₱2,060,383.*

	2018				
	Total	Contractual Undiscounted Payments			
	Carrying Amount	On Demand	< 1 Year	1 to 5 Years	> 5 Years
Trade and other payables*	₱848,959	₱–	₱848,959	₱–	₱–
Loans payable	25,000,000	25,000,000	–	–	–
Accrued interest and penalties	362,213,393	362,213,393	–	–	–
Subscription payable	255,250,000	255,250,000	–	–	–
Due to a related party	192,708,961	192,708,961	–	–	–
	₱836,021,313	₱835,172,354	₱848,959	₱–	₱–

**Excluding statutory payables amounting to ₱2,007,715.*

Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its operations, pay existing obligations and maximize stockholder value. The Group considers the paid-in capital presented in the consolidated statements of financial position as its core capital.

The required minimum authorized capital stock and paid-up capital of a Company engaged in mining industries are ₱100.0 million and ₱6.25 million, respectively.

The Group manages its capital structure and makes adjustments when there are changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from related parties, return capital to stockholders or issue new shares. No changes were made in the objectives, policies and processes in 2019 and 2018.

As discussed in Note 1, the Group is continuously undertaking specific actions to improve operations, including restructuring and settlement of outstanding loans and communication with prospective investors which are part of the Group's policies and processes in managing its capital.

The debt-to-equity ratio as at December 31, 2019 and 2018 are as follows:

	2019	2018
Total liabilities	**₱915,831,760**	₱848,375,134
Total equity	**203,218,148**	485,756,904
	4.51:1	1.75:1

18. **Fair Value of Financial Assets and Liabilities**

Set out below is a comparison by category of carrying amount and fair values of all of the Group's financial assets and liabilities that are carried in the consolidated financial statements as at December 31, 2019 and 2018.

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱1,086,804**	**₱1,086,804**	₱798,779	₱798,779
Trade receivables	**112,542**	**112,542**	–	–
Financial asset at FVOCI	**255,250,000**	**255,250,000**	255,250,000	255,250,000
Due from related parties	**11,293,788**	**11,293,788**	12,498,005	12,498,005
	₱267,743,134	**₱267,743,134**	₱268,546,784	₱268,546,784

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Trade and other payables*	**₱14,416,119**	**₱14,416,119**	₱848,959	₱848,959
Due to a related party	**222,474,297**	**222,474,297**	192,708,961	192,708,961
Subscription payable	**255,250,000**	**255,250,000**	255,250,000	255,250,000
Security deposit	**4,958,333**	**4,958,333**	–	–
	₱497,098,749	**₱497,098,749**	₱448,807,920	₱448,807,920

**Excluding statutory payables amounting to ₱2,060,383 in 2019 and ₱2,007,715 in 2018*

The carrying amount of the Group's financial assets and liabilities approximate their fair values due to the short-term nature of the financial instruments.

19. **Segment Reporting**

The Group has three operating segments: (1) development and sale of real estate projects, (2) mining activities and (3) renewable energy.

Operating results of the Group are regularly reviewed by the Group's BOD, to make decisions about resources to be allocated to the segment and to assess its performance. Segment expenses are measured in accordance with PFRS. The presentation and classification of segment expenses are consistent with the consolidated statements of comprehensive income.

The Group has only one geographical segment as all of its assets are located in the Philippines.

Operating segments information as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019				
	Real Estate	**Mining**	**Renewable Energy**	**Reconciling Items**	**Total**
Net loss	**(₱275,605,197)**	**(₱342,000)**	**(₱6,591,559)**	**₱–**	**(₱282,538,756)**
Assets	**₱502,870,039**	**₱468,476,733**	**₱303,893,420**	**(₱156,190,284)**	**₱1,119,049,908**
Liabilities	**668,572,408**	**31,214,578**	**286,765,070**	**(70,720,296)**	**915,831,760**
Net assets	**(165,702,369)**	**437,262,155**	**17,128,350**	**(85,469,988)**	**203,218,148**
Revenues	**–**	**–**	**298,482**	**–**	**298,482**
Depreciation and amortization	**–**	**–**	**1,218,201**	**–**	**1,218,201**
Interest expense and penalties	**18,070,333**	**–**	**–**	**–**	**18,070,333**

	2018				
	Real Estate	Mining	Renewable Energy	Reconciling Items	Total
Net loss	(₱51,151,134)	(₱342,000)	(₱7,762,935)	₱–	(₱59,256,069)
Assets	₱729,496,048	₱468,476,733	₱287,637,391	(₱151,478,134)	₱1,334,132,038
Liabilities	619,593,220	15,972,328	263,917,482	(51,107,896)	848,375,134
Net assets	109,872,828	452,504,405	23,719,909	(100,370,238)	485,726,904
Depreciation and amortization	152,407	–	2,879,750	–	3,032,157
Interest expense and penalties	20,959,608	–	–	–	20,959,608

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5/F Eurovilla 4 Bldg.,
853 A. Arnaiz Avenue, Makati City

We have audited the accompanying consolidated financial statements of MRC Allied, Inc. and Subsidiaries (the Group), as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated June 3, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Group has six hundred twenty (620) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

June 3, 2020
Makati City, Metro Manila

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5/F Eurovilla 4 Bldg.,
853 A. Arnaiz Avenue, Makati City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of MRC Allied, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated June 3, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Schedule of Financial Soundness Indicators
- Conglomerate Map

These schedules are presented for purposes of complying with the Part II of the Revised SRC Rule 68, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

June 3, 2020
Makati City, Metro Manila

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

Retained earnings, as adjusted to amount available for dividend declaration, at beginning of year	(₱277,110,774)
Add: Net loss for the year	(275,605,197)
Retained earnings available for dividend declaration, at end of year	(₱552,715,667)
RECONCILIATION:	
Retained earnings at end of year as shown in the financial statements	(₱552,715,667)
Retained earnings available for dividend declaration, at end of year	(₱552,715,667)

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

OTHER SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

Schedule A. Financial Assets

The Group does not have outstanding financial assets (Loans and Receivables, Fair value through Profit or Loss, Held to Maturity Investments, Available for sale Securities) which constitute five percent or more of total current assets as at and for the year ended December 31, 2019.

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Stockholders	₱12,359,893	₱–	₱1,196,417	₱–	₱–	₱–	₱11,163,476
Officers	392,557	–	7,800	–	–	–	384,757

Schedule C. Amounts receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Included in the consolidation of the Group's financial statements were the following subsidiaries:

Subsidiaries	Date of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable energy provider	100.00
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100.00
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100.00
Makrubber Corporation (Makrubber)	1990	Processing and export of natural rubber products	100.00

Makrubber has ceased operations in 2011.

MREN has started commercial operations as at 2019.

MRC Tampakan and MRC Surigao have not started commercial operations as at 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
Menlo Renewable Energy Corporation (MREN)	₱–	₱11,970,004	₱–	₱–	₱–	₱–	₱11,970,004
MRC Tampakan Mining Corporation (MRC Tampakan)	500,000	–	–	–	–	500,000	500,000
MRC Surigao Mines, Inc. (MRC Surigao)	15,472,328	342,000	–	–	–	15,814,328	15,814,328

Schedule D. Long-term Borrowings

The Group has loans payable which is due and demandable amounting to ₱25.0 million as at December 31, 2019.

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)

The Group does not have an outstanding long term loans from related parties as at and for the year ended December 31, 2019. The Group has due to a related party which is due and demandable amounting to ₱222.5 million as at December 31, 2019.

Schedule F. Guarantees of Securities of Other Issuers

The Group is not a party to a guaranty agreement for securities of other issuing entities as at and for the year ended December 31, 2019.

Schedule G. Capital Stock

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 captions, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	15,000,000,000	8,512,658,975	–	4,418,653,722	2,000	4,094,003,253

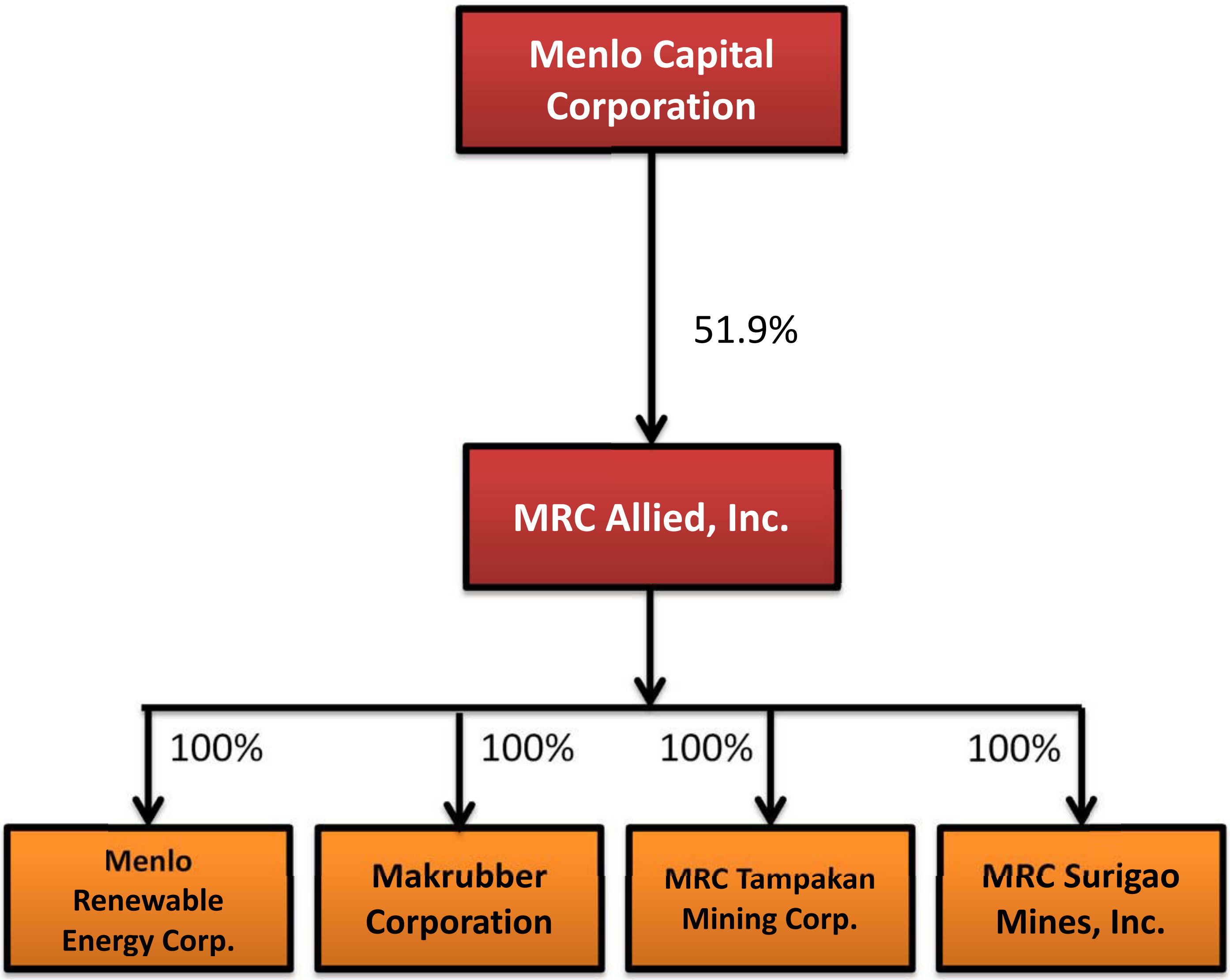
MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Ratio	Formula	2019	2018
Current/Liquidity Ratio			
	Current assets	**₱582,409,018**	₱581,127,895
	Divided by: Current liabilities	**899,487,185**	838,029,028
	Current/Liquidity ratio	**0.65:1.00**	0.69:1.00
Solvency Ratio			
	Net loss before depreciation and amortization	**(281,320,555)**	(56,223,912)
	Divided by: Total liabilities	**915,831,760**	848,375,134
	Solvency ratio	**(0.31):1.00**	(0.07):1.00
Debt-to-Equity Ratio			
	Total liabilities	**₱915,831,760**	₱848,375,134
	Divided by:Total equity	**203,218,148**	485,756,904
	Debt-to-Equity ratio	**4.51:1.00**	1.75:1.00
Asset-to-Equity Ratio			
	Total assets	**₱1,119,049,908**	₱1,334,132,038
	Divided by: Total equity	**203,218,148**	485,756,904
	Asset-to-Equity ratio	**5.51:1.00**	2.75:1.00
Interest Rate Coverage Ratio			
	Loss before interest and taxes	**(₱264,465,763)**	(₱38,296,461)
	Divided by: Interest expense	**18,070,333**	20,959,608
	Interest Rate Coverage ratio	**(14.64):1.00**	(1.83):1.00
Return on Assets Ratio			
	Net loss	**(₱282,538,756)**	(₱59,256,069)
	Divided by: Total assets	**1,119,049,908**	1,334,132,038
	Return on Assets ratio	**(0.25):1.00**	(0.04):1.00
Return on Equity Ratio			
	Net loss	**(₱282,538,756)**	(₱59,256,069)
	Divided by: Total equity	**203,218,148**	485,756,904
	Return on Equity ratio	**(1.39):1.00**	(0.12):1.00
Net Profit Margin			
	Net loss	**(₱282,538,756)**	(₱59,256,069)
	Divided by: Revenues	**298,482**	–
	Return on Equity ratio	**(946.59):1.00**	N/A

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

CONGLOMERATE MAP
DECEMBER 31, 2019



MRC ALLIED 2019 SUSTAINABILITY REPORT

ANNEX "A" 2019 SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	MRC Allied Inc.
Location of Headquarters/Operations	5/F Eurovilla 4 Building 853 A Arnaiz Avenue, Legaspi Village Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*Business Model, including Primary Activities, Brands, Products, and Services	MRC Allied Inc. is a publicly listed company in the Philippine Stock Exchange that holds a diversified portfolio in real estate development and mining and is currently pursuing renewable energy projects. Incorporated on November 20, 1990 and formerly known as Makilala Rubber Corporation, the activities of MRC have been primarily on processing and export of baled natural rubber. In 1993, MRC diversified into a real property development firm, more particularly, into township development. In 1995, MRC listed its entire 500 million shares in the Philippine Stock Exchange (PSE) through an initial public offering. Since 2000, MRC has continued to maintain its two eco-friendly properties in Cebu and Leyte. In 2010, MRC has ventured into the mining exploration industry acquiring mining assets located in various provinces in Mindanao with a total land area of 25,003 hectares. In 2015, the Company decided to diversify its portfolio into the energy sector and created its first Renewable Energy subsidiary - Menlo Renewable Energy Corporation. In 2017, MRC formally announced its new thrust and bared its plan to develop at least 1000MW of clean and renewable energy by 2022.
Reporting Period	2018-2019
Highest Ranking Person responsible for this report	Augusto M. Cosio, Jr. – President & CEO

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[14]

The materiality process of the company is about identifying the issues that matter most to our business and our stakeholders. For the past years, we plot the economic, social and environmental issues that are of most concern to our external stakeholders against those that pose risks or present opportunities to MRC.

As a corporate citizen, it is our Company's continuing commitment to behave ethically and contribute to the economic development while improving the quality of life of its workforce, their families, our customers, our local communities, our government and society at large whilst committed to sustainability.

Economic Performance

As a corporate citizen, it is our Company's continuing commitment to behave ethically and contribute to the economic development while improving the quality of life of its workforce, their families, our customers, our local communities, our government and society at large whilst committed to sustainability.

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	298,482.00	PhP
Direct economic value distributed:		
a. Operating costs	243,833,650.00	PhP
b. Employee wages and benefits	20,637,987.00	PhP
c. Payments to suppliers, other operating costs	2,127,553.00	Php
d. Dividends given to stockholders and interest payments to loan providers	*As of this date the company has no declaration of dividend to stockholders and interest payments to loan provider.*	PhP
e. Taxes given to government	*314,863.00*	PhP
f. Investments to community (e.g. donations, CSR)	*As part of our Corporate Social Responsibility (CSR) Program, MRC conduct a feeding program annually for street children sponsored by Canossa Foundation-Scoulla Della Guioa at Brgy 105, Radial Road 10, Tondo, Manila on 5 July 2018 (Thursday) The company started the feeding program since July 2017.* *On July31, 2019 the company organize the feeding program for this year activity. The company hopes to continue this feeding program annually to help less fortunate people. We encourage also the employees of the Company to continue participate in this project by MRC.* *10,000.00*	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It affects the total image of the company and affects the primary business of the company *It affects the business relationship of the company since social involvement would have either a positive or negative impact on the shareholders*	*both public and private stakeholders can be affected*	*MRC shall continue its participation in charitable work and activities to share the company's accomplishments with the community*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
There is minimal risk to the company as it continues its part to contribute to the economic development of the country while improving the quality of life of its workforce and local communities	*Public*	*Continue its mandate under AOI and this will eventually lead to a contribution to the society, both economically and socially*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Better opportunity to partner with company in the business industry and attract business investors	Both Public and Private	*Continue its mandate under AOI and this will eventually lead to a contribution to the society, both economically and socially*

Climate-related risks and opportunities[15]

Climate risk pertains to a risks resulting from the effects of global warming. *Global warming* is a gradual increase in the overall temperature of the earth's atmosphere generally attributed to the greenhouse effect caused by increased levels of carbon dioxide, chlorofluorocarbons, and other pollutants.

The study of climate risk includes developing risk assessment and risk management strategies appropriate to global warming. The main aim of the company is to evaluate climate risks and exploring strategies for their prevention.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[16] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and Opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk Management
The Board Risk Oversight Committee oversee the climate related risk and opportunities and ensures that there is effective and integrated risk management is in place. The committee meets periodically and if the need arises to discuss they meet from time to time to discuss any material risk related transactions.	The company tracks performance against our goals and adjust our plans as we learn and conditions evolve. Develop mitigation plans for climate related risk By providing oversight over Management's activities in climate related risk, managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation and	The Board Risk Oversight Committee conducts regular discussion on the Corporations prioritized and residual risk exposures based on regular management report and assesses how the concerned units or officers are addressing and managing this climate related risk.	The company assess the climate-related risks and opportunities in line with the strategy and risk management by ensuring the Risk management framework is in place effectively, identify, monitor, assess and manage key business risk.

b	evaluate effectiveness of the risk mitigation strategies and action plans whether in short, medium long term		
b) Describe management's role in assessing and managing climate-related risks and opportunities The Board and top management will be in the position to assess make a well -informed decisions, having into consideration the risk related to significant business activities especially in managing climate risk, plans and opportunities.	b) Describe the impact of climate – related risks and opportunities on the organization's business, strategy and financial planning Reduce Revenue of the company Increase material & production cost It affects business operation of the company	b) Describe the organization's processes for managing climate-related risks The management usually meets monthly, quarterly and sometimes annually but if the needs arises with the climate risk related issues the management meets immediately to solve the issues with regard to this matter The company ensures that the policy and the officers involve are always available anytime to manage and processed climate related risk.	c) Describe the targets used by the organization to manage climate – related risks and opportunities and performance against targets The company process that use to manage the climate related risk and opportunities is the Quantitative and Qualitative monitoring of resources
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario The organization's strategy is not to be fixed on a certain approach on dealing	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management Management usually is presented with policies to how to approach said climate-	

	with climate-related risks. Every now and then, rules, regulations and technologies change in dealing with climate change and so must the organizations policies. It makes sures that it is updated with the current policies of the government in climate-related risks.	related risks. Suggestions of personnel are also taken to account and presented to management and if agreed to be feasible, becomes part of the process in identifying the climate-related risk.	

[15] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[16] For this disclosure, impact refers to the impact of climate-related issues on the company.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	75	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It affects the total image of the company and affects the primary business of the company *It affects the business relationship of the company since procuring equipment and materials would mean future partnerships with other companies*	*Employees and suppliers*	*MRC to continue good business practice and improve relationships with other companies in the business*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The risk in procurement is meeting the deadline in delivering the supplies and payment schedules	*Employees and suppliers*	*MRC to continue good business practice and improve relationships with other companies in the business*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Better equipment and supplies because of a competitive selection process	*Suppliers*	*MRC to continue good business practice and improve relationships with other companies in the business*

NOTE:

All procurement procedures are undertaken by MRC's subsidiary, Menlo Renewable Energy Corp. (MREN)

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company has no record of corruption but if there would be any, it would be from the disbursement of funds from its day to day activities and on the operations side	*Employees and Suppliers*	*MRC to continue good business practice and continue its audit operations especially in disbursement of funds*
If there would be any corruption, it would greatly impact its business relationship with other companies and future investors	*Company, Community & Government*	
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
If there is corruption in the company, this would greatly affect the integrity of the employees and eventually will affect the integrity of the company	*Employees, private stakeholders and public stakeholders*	*MRC to continue good business practice and continue its audit operations especially in disbursement of funds*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to correct auditing procedures	*Employees, private stakeholders and public stakeholders*	*MRC to continue good business practice and continue its audit operations especially in disbursement of funds*

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	# 0
Number of incidents in which employees were dismissed or disciplined for corruption	0	# 0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	# 0

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The company has no record of corruption but if there would be any, it would be from the disbursement of funds from its day to day activities and on the operations side *If there would be any corruption, it would greatly impact its business relationship with other companies and future investors*	*Employees and Suppliers*	*MRC to continue good business practice and continue its audit operations especially in disbursement of funds*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
If there is corruption in the company, this would greatly affect the integrity of the employees and eventually will affect the integrity of the company	*Employees, private stakeholders and public stakeholders*	*MRC to continue good business practice and continue its audit operations especially in disbursement of funds*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to correct auditing procedures	*Employees, private stakeholders and public stakeholders*	*MRC to continue good business practice and continue its audit operations especially in disbursement of funds*

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	N/A	GJ
Energy consumption (diesel)	N/A	GJ
Energy consumption (electricity)	8,799	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It would greatly impact the primary business of the company for its daily operations *This would greatly impact the expenditures of the company for its day to day activities*	*Employees*	*Management monitors its consumption during its office hours and turns of all machines and lights that are not in use. Procurement of energy saving equipments and materials is also an option*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company	*Stakeholders and Employees*	*Management monitors its consumption during its office hours and makes sure all equipment are running smoothly*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Installation of modern equipment to lessen consumption	Employees	*Management monitors its consumption during its office hours and makes sure all equipment are running smoothly*

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	358.97	Cubic meters
Water recycled and reused	0	Cubic meters

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
It would greatly impact the primary business of the company for its daily operations *This would greatly impact the expenditures of the company for its day to day activities*	*Employees*	*Management monitors its consumption during its office hours and turns of all machines that are not in use and making sure that there are no leaks in the water line. Procurement of energy saving equipments and materials is also an option*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company	*Stakeholders and Employees*	*Management monitors its consumption during its office hours and makes sure all equipment are running smoothly*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Installation of modern equipment to lessen consumption	*Employees*	*Management monitors its consumption during its office hours and makes sure all equipment are running smoothly*

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
renewable	N/A	kg/liters
non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It would greatly impact the primary business of the company for its daily operations and would also affect the expenditures of the company	*Employees*	*Management monitors its expenses on office supplies especially the number of supplies of bond papers and folders. The bond papers which have been used primarily for documents but were rejected are being recycled as scratch papers*
What are the Risk/s Identified?	**Which stakeholdeers are affected?**	**Management Approach**
This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.	*Stakeholders and Employees*	*Management monitors its consumption during its office hours and makes sure all expenditures for equipments and office supplies are accounted*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Inventory of materials and be able to check which are redundant	*Stakeholders and Employees*	*Management monitors its consumption during its office hours and makes sure all expenditures for equipments and office supplies are accounted*

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) N/A	
Habitats protected or restored	N/A	Ha.
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	(list)As N/A	

[17] International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties	*As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties*	*As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties	*As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties*	*As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties	*As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties*	*As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties*

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship	*Employees, Community and shareholders*	*Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.	*Employees*	*Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement	*Employees*	*Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.*

Air pollutants

Disclosure	Quantity	Units
NO_x	0	kg
SO_x	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship. *However, MRC has very minimal emissions of air pollutants as we only have airconditioners and one car that can be a source of these*	*Employees, Community and shareholders*	*Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.* *The company car is also well maintained to reduce contributing to air pollution*

pollutants.		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.	*Employees, Community and shareholders*	*Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement	*Employees*	*Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.*

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	50	kg
Reusable	0	kg
Recyclable	0	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship. *However, MRC does not have any hazardous waste materials. Our waste mostly contains papers that are no longer in use.*	*Employees, Community and shareholders*	*Management monitors its office supply consumption like bond paper usage, printer cartridges and toner. Bond papers that can still be used are recycled as scratch papers. Folders and envelopes are not immediately thrown away and are also recycled if can still be used again.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.	*Employees, Community and shareholders*	*Management monitors its office supply consumption like bond paper usage, printer cartridges and toner. Bond papers that can still be used are recycled as scratch papers. Folders and envelopes are not immediately thrown away and are also recycled if can still be used again*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement	*Employees*	*Management monitors its office supply consumption like bond paper usage, printer cartridges and toner. Bond papers that can still be used are recycled as scratch papers. Folders and envelopes are not immediately thrown away and are also recycled if can still be used again*

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	0	kg
Total weight of hazardous waste transported	0	kg

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.	*MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.*	*MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.	*MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.*	*MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.	*MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.*	*MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.*

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	358.97	Cubic meters
Percent of wastewater recycled	1	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Employees, Community and shareholders*	*Management monitors its water supply consumption during office hours and checks if there are leaks in the water system. Faucet that are malfunctioning are replaced. After office hours, all faucets and machines are checked to make sure that all are turned off.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.	*Employees, Community and shareholders*	*Management monitors its water supply consumption during office hours and checks if there are leaks in the water system. Faucet that are malfunctioning are replaced. After office hours, all faucets and machines are checked to make sure that all are turned off.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement	*Employees*	*Management monitors its water supply consumption during office hours and checks if there are leaks in the water system. Faucet that are malfunctioning are replaced. After office hours, all faucets and machines are checked to make sure that all are turned off.*

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MRC has not been fined for non-compliance with environmental laws and regulations nor have the company been sanctioned for violation thereof. If a violation does occur, this would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Employees, Community and shareholders*	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
This would greatly impact the activities of the company and would affect the image of the company as a renewable energy company. This would put doubt on future investors if the company is serious in dealing with renewable energy projects.	*Employees, Community and shareholders*	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify points in the policy of the company to comply with existing rules and regulations and to better the company as a new entity in the renewable energy business	*Employees*	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or*

portfolio. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors		*compliances that the company needs to comply and abide*

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[18]	13	
a. Number of female employees	5	#
b. Number of male employees	8	#
Attrition rate[19]		rate
Ratio of lowest paid employee against minimum wage	0	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Yes	20%	9%
PhilHealth	Yes	0	18%
Pag-ibig	Yes	20%	0
Parental leaves	Yes	0	0
Vacation leaves	Yes	100%	100%
Sick leaves	Yes	100%	100%
Medical benefits (aside from PhilHealth))	HMO	0	18%
Housing assistance (aside from Pag-ibig)	No	0	0
Retirement fund (aside from SSS)	Yes	0	9%
Further education support	No	0	0
Company stock options	No	0	0
Telecommuting	Yes	0	0
Flexible-working Hours	No	0	0
(Others)		0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The company complies with required the government benefits for its employees. Non-compliance with the required government benefits could result in a sanctioned activity by the company. Any violation of the said benefits would greatly impact the primary business of the company and would affect the image of the company as a whole. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and brings up any issue with regard to employee benefits during management committee meeting.*

18 Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

19 Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What are the Risk/s Identified?	Management Approach
This would put the company at risk in paying hefty fines. Worse, the company can be closed down due to non-compliance on the regulation on employee benefits. This could tarnish the image of the company and the investors and shareholders may pull out with the company.	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and brings up any issue with regard to employee benefits during management committee meeting*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to comply with existing rules and regulations and to better the company in complying with the benefits of its employees.	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and brings up any issue with regard to employee benefits during management committee meeting*

Employee Training and Development

Disclosure	Quantity	Units
	2019	
Total training hours provided to employees		
a. Female employees	223.5	hours
b. Male employees	244.5	hours
Average training hours provided to employees		
a. Female employees	27.93	At least 8 hours/employee
b. Male employees	30.56	At least 8 hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC continues to let their employees attend seminars and training in order for the employees growth and widen the knowledge with regard to its business. Limiting the participation of the employees to its would also limit their growth. And limiting their growth would also mean limited growth of the company for a company is good only as the people that comprise it. Without the trainings impact the business of the company. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management assures that employees get the training and exposure they need to further their knowledge in the field of their expertise.*
What are the Risk/s Identified?	**Management Approach**

Other than the growth of the company in confining the knowledge of the employees, the company may be sanctioned to non-compliance of attending a mandated training or seminar required by the SEC or PSE.	*The company monitors and brings up any issue with regard to mandatory employee training and seminars.*
What are the Opportunity/ies Identified?	**Management Approach**
Trainings and seminars would further develop the employees communication skills, gaining expert knowledge, networking with others, as well as renewing motivation and confidence. It gives employees ideas on new aspects of the business.	*The company monitors and brings up any issue with regard to mandatory employee training and seminars.*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	N/A	%
Number of consultations conducted with employees concerning employee-related policies	13	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC has no union so the company does not have any collective bargaining agreement. The company has a employees handbook that was updated and edited by consulting the employees of the company. Policies that are vague and unclear to the employees leads to confusion and eventually would demoralize the employees. This would decrease their productivity and eventually resign and turnover of employees would be high. This would affect the business of the company as there would be no consistency to the people that runs the company. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management makes sure that the employees are consulted and advised to any changes in the policy of the company. Grievance mechanism should be open and available under the HR department to hear the side of the employees.*
What are the Risk/s Identified?	**Management Approach**
Policies that are vague and unclear to the employees leads to confusion and eventually would demoralize the employees. This would decrease their productivity and eventually resign and turnover of employees would be high. This would affect the business of the company as there would be no consistency to the people that runs the company.	*Management makes sure that the employees are consulted and advised to any changes in the policy of the company. Grievance mechanism should be open and available under the HR department to hear the side of the employees*
What are the Opportunity/ies Identified?	**Management Approach**
Constant consultation will lessen the uneasiness of the employees as they have a voice when it comes to company policies and labor related policies.	*Management makes sure that the employees are consulted and advised to any changes in the policy of the company. Grievance mechanism should be open and available under the HR department to hear the side of the employees*

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	5	38.46%
% of male workers in the workforce	8	61.53%
Number of employees from indigenous communities and/or vulnerable sector*	1 (solo parent) 1 (elderly)	# #

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC maximizes the potential of all employees by valuing diversity and neither does the company discriminate against race, sex, sexual orientation, gender identity, religion, or whether they have a genetic disorder or social standing. Every applicant and employee went through the same process of hiring regardless whether he is within a certain class, religion, gender, disability or marital status. Discrimination is an unhealthy environment in a work place and it lessens the productivity of employees and demoralizes them. This would eventually lead to resignation and turnover of employees would be high. This would affect the business of the company as a whole. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management makes sure that no discrimination shall occur in the company. Management makes sure that all employees have access to equal opportunities regardless of class, age, gender, race, sexual orientation, religious belief or disability. At the same time, employees are consulted and advised to any changes in the policy of the company.*
What are the Risk/s Identified?	**Management Approach**
Non-acceptance of diversity in the office may arise to conflicts. These conflicts can turn to intense arguments between officemates and in a worst case scenario, it may lead to violence. Without equal opportunity, employees may resign early and turnover of manpower would be high that could also affect the company. However, diversity also may give rise to conflict due to differences in beliefs, customs, opinions, and tradition.	*Management suggests that each and every employee learn to accept and respect each other. Once they learn to respect each other, sharing of ideas would be much better appreciated and collaboration between departments would be better.*
What are the Opportunity/ies Identified?	**Management Approach**
Diversity and equal opportunity adds new skills to workers and employees and in turn promotes innovation. Because of the talents and skills of different persons brought about by its diversity, sharing ideas between one another, the team creates better and innovative ideas.	*Management suggests that each and every employee learn to accept and respect each other. Once they learn to respect each other, sharing of ideas would be much better appreciated and collaboration between departments would be better.*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	8	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills		#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
MRC has no work-related injuries and fatalities. However, being ill does not mean that the employee is overworked. Weather conditions also is a factor together with stress. MRC makes sure that if an employee is feeling under the weather, they can always opt not to go to work and instead file a sick leave. It is best for everyone to report to work healthy in order for everyone to function properly. Any work-related injuries or fatalities would definitely affect the business of the company as a whole as this would mean that the company is not aware of the safety of its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management monitors its employees whether they are in good working condition or not. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.*
What are the Risk/s Identified?	**Management Approach**
Allowing the employees to work in a hazardous environment would result in a sanctioned activity by the DOLE. Having work-related injuries would mean that the company has no safety precautions in its employees working environment. This would result to a violation of any regulation made by the NLRC and DOLE. This would result to a bad reputation to the company and would affect its future dealings with potential partners, clients and investors.	*Management monitors its employees whether they are in good working condition or not. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.*
What are the Opportunity/ies Identified?	**Management Approach**
The company can review its manual for its employees and be able to improve its working environment and be able to prevent any work-related mishaps.	*Management monitors its employees whether they are in good working condition or not. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor *The Company has made it a strict policy to hire individuals solely on the basis of their personal qualifications. No individual shall be barred from employment in the Company because of race, gender, color, nationality or religious belief, provided that this is in conformity with the laws of the Philippine government. Only where the national interest so demands will the Company abrogate this policy.* *The Company recognizes its responsibility to safeguard as far as practicable the health and safety at work of all our staff members. This responsibility will form an integral part of our work activities. Pursuant to this policy, the Company undertakes to comply with the requirements of all relevant regulations; provide and maintain plans and systems at work, that are as far as reasonably practicable, safe and without risks to health by providing adequate heating, lighting, ventilation, seating and sanitary facilities; provide and maintain, safe access/exit to and from the place of work; and provide necessary training, information, instructions and supervision to ensure that all staff members are aware of and adhere to safety guidelines and regulations.* *Ref. MRC Employees Manual*	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **NONE**

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC does not practice and have ever entered to forced labor or child labor. The company respects the basic rights and freedom each of our employee have. This is also why we diversity in our working environment is established because we respect each person's freedom of expression, right to life, liberty and property, and recognition of workers right. Any violation to the DOLE and NLRC guidelines as well the basic rights of an employee would definitely affect the business of the company as a whole as this would mean that the company is does not respect its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management makes sure that the company abides by the rules and regulation set by DOLE. The management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.*
What are the Risk/s Identified?	**Management Approach**
Having forced labor and child labor would result in a sanctioned activity by the DOLE. And violation of basic human right would result in an unhealthy working environment. Employees will not be working as one and will be in constant conflict with each other. No coherence in the workplace will result in an unproductive company. This would result to a bad reputation to the company and would affect its future dealings with potential partners, clients and investors	*Management makes sure that the company abides by the rules and regulation set by DOLE. The management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.*
What are the Opportunity/ies Identified?	**Management Approach**
The company can review its manual for its employees and be able to improve its working environment. Management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.	*Management makes sure that the company abides by the rules and regulation set by DOLE. The management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.*

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Reference is made in the selection/bidding
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	The supplier signs an NDA/Oath of Integrity

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Environmental performance, forced labor, child labor, human rights, bribery and corruption have already been discussed previously. It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

What are the Risk/s Identified?	Management Approach
This would greatly impact the activities of the company and would affect the image of the company as a renewable energy company. This would put doubt on future investors if the company is serious in dealing with renewable energy projects.	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to comply with existing rules and regulations and to better the company as a new entity in the renewable energy business portfolio. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
None	None	None	No	None	None

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

What are the Risk/s Identified?	Management Approach
As of now, the company has no projects that affected any indigenous people. However, the regulations setup by the government and the rights of the IP are not respected, the company would suffer an injury. This would greatly impact the activities of the company and would affect the image of the company as a renewable energy company. This would put doubt on future investors if the company is serious in dealing with renewable energy projects.	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to comply with existing rules and regulations and to better the company as a new entity in the renewable energy business portfolio. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors	*Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		No

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
MRC take notes of the clients satisfaction of the services rendered by the company. This also goes hand in hand in with partners of the company to any business it deals into. Knowing whether they are good with the services we have provided will help us improve the company. Unfavorable customer satisfaction will affect the total image of the company and affects the primary business of the company *It affects the business relationship of the company since customer satisfaction would have either a positive or negative impact on the shareholders*	*Management updates the concerned departments if there are any issues with any clients or partners. It also updates its policies in order to better services to its clients and partners.*
What are the Risk/s Identified?	**Management Approach**
Unfavorable customer satisfaction will affect the total image of the company and affects the primary business of the company. It will also affect the business relationship of the company since customer satisfaction would have either a positive or negative impact on the shareholders	*Management updates the concerned departments if there are any issues with any clients or partners. It also updates its policies in order to better services to its clients and partners*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to better serve the needs of its clients and partners. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.	*Management updates the concerned departments if there are any issues with any clients or partners. It also updates its policies in order to better services to its clients and partners*

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#0
No. of complaints addressed	0	#0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC has no substantiated complaints on product or service health and safety. Any complaints related to health and safety or products would definitely affect the business of the company as a whole as this would mean that the company is not aware of the safety of its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management assures and make sure that the products that the company is using in its projects are of top quality or on par with other top-quality products. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.*
What are the Risk/s Identified?	**Management Approach**
Any complaints related to health and safety or products would definitely affect the business of the company as a whole as this would mean that the company is not aware of the safety of its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management assures and make sure that the products that the company is using in its projects are of top quality or on par with other top-quality products. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to better serve the needs of its clients and partners. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.	*Management assures and make sure that the products that the company is using in its projects are of top quality or on par with other top-quality products. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC has no substantiated complaints on marketing and labelling. As a listed company, MRC discloses any information that may affect the investing public. Any complaints related to marketing and labelling would definitely affect the business of the company as a whole as this would mean that the company is not properly informing the investing public. This will confuse the potential investors and stockholders and would definitely affect the company as whole. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management makes it a point that the clients are well informed of the project they entered into. They are given updates when the project is being built and is constantly being reminded of how to operate the business. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Risk/s Identified?	**Management Approach**
Any complaints which can be linked to marketing and labeling will definitely affect the business of the company as a whole as this would mean that the company is not disclosing the information to the investing public. This can either be caused by the organization or can be linked to impacts through its business relationship	*Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to better serve the needs of its clients and partners in disclosing information relative to its business activity. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.	*Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC has no substantiated complaints on customer privacy. MRC makes sure that clients and partners are satisfied by the services and performance done by the company. Any complaints by clients and/or customers will definitely affect the business of the company as a whole as this would mean that the company is not properly doing its job properly. This will put doubt on the potential investors and stockholders and would definitely affect the company as whole. This can either be caused by the organization or can be linked to impacts through its business relationship	*Management assures and make sure that the company discloses any information that the investing public should know. Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Risk/s Identified?	**Management Approach**
Any complaints which can be linked to marketing and labeling will definitely affect the business of the company as a whole as this would mean that the company is not disclosing the information to the investing public. This can either be caused by the organization or can be linked to impacts through its business relationship	*Management assures and make sure that the company discloses any information that the investing public should know. Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to better serve the needs of its clients and partners relative to its business activity. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.	*Management assures and make sure that the company discloses any information that the investing public should know. Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There have been no data breach or leaks with regard to the documents and information pertinent to the business of the company or information of its personnel, clients or partners. The company makes sure that the data that it has is secured and cannot be accessed just by anyone. Certain personnel have only access to particular documents. If there arises a data security breach, this will put doubt on the potential investors and stockholders and would definitely affect the company as whole. This can either be caused by the organization or can be linked to impacts through its business relationship.	*Management assures and make sure that the company's information on its projects, personnel, clients and partners are secured and cannot be accessed by anyone. Only certain personnel have access to certain to limit any leakage of information and sensitive materials and documents. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

What are the Risk/s Identified?	Management Approach
Any breach of information will definitely affect the business of the company as a whole as this would mean that the company is not taking into steps in securing the information that it has with its projects, personnel, clients and partners. This will put serious doubt on the company in handling sensitive information and in turn will affect those investing in the company, stockholders and potential clients and partners.	*Management assures and make sure that the company's information on its projects, personnel, clients and partners are secured and cannot be accessed by anyone. Only certain personnel have access to certain to limit any leakage of information and sensitive materials and documents. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*
What are the Opportunity/ies Identified?	**Management Approach**
Identify points in the policy of the company to better secure its data.	*Management assures and make sure that the company's information on its projects, personnel, clients and partners are secured and cannot be accessed by anyone. Only certain personnel have access to certain to limit any leakage of information and sensitive materials and documents. It monitors and updates each department of any news or compliances that the company needs to comply and abide.*

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Solar PV Rooftop panels	Renewable Energy		Ensure the availability of RE resources and sustainable management of RE products.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 8 4 2 2 8

COMPANY NAME

MRC ALLIED, INC. (A Subsidiary of Menlo Capital Corporation)

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

5/F Eurovilla 4 Bldg., 853 A. Arnaiz Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AASFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	8 846-7910	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
631	Second Monday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Bernard B. Rabanzo	–	8 846-7910	–

CONTACT PERSON'S ADDRESS

5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City

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

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

MRCALLIED
A Member of the Philippine Stock Exchange

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

Very truly yours,

JIMMY T. YAOKASIN
Chairman of the Board

AUGUSTO M. COSIO, JR.
President & Chief Executive Officer

BERNARD B. RABANZO
Chief Financial Officer

BUREAU OF INTERNAL REVENUE
RECEIVED
JUN 2

Signed this 3rd day of June 2020

SUBSCRIBED & SWORN TO BEFORE ME THIS 29 JUN 2020 DAY OF ______, AFFIANT EXHIBITING TO ME HIS / HER ______ AS PROOF OF IDENTITY.

DOC NO. 77
PAGE NO. 16
BOOK NO. I
SERIES NO. 2020

ATTY. GLADYS N. NALDA
COMMISSION NO. M-68
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
5/F EUROVILLA 4 BLDG., 853 ARNAIZ AVE.
LEGAZPI VILLAGE, MAKATI CITY
ATTORNEY'S ROLL NO. 50978
MCLE COMPLIANCE V-0018075
PTR NO. 8127729/ 01-08-20/ MAKATI
IBP NO. 108954/ 01-10-20/ LEYTE

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas Makati
City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
MRC Allied, Inc.
5/F Eurovilla 4 Bldg.
853 A. Arnaiz Avenue, Makati City

Opinion

We have audited the accompanying separate financial statements of MRC Allied, Inc. (the Company), a subsidiary of Menlo Capital Corporation,which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2019 and 2018, and its separate financial performance and its separate cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

The accompanying separate financial statements have been prepared assuming that the Company will continue as a going concern. The Company has been incurring operating expenses as it continues to explore and develop potential business ventures. Moreover, the Company had to recognize an impairment loss of P=232.5 million on its exploration and evaluation assets in 2019 because of the reduction of its mining area. These have resulted to a deficit as discussed in Note 1 to the separate financial statements. These factors may cast a significant doubt on the ability of the Company to continue as a going concern.

The stockholders, however, have continued to provide financial support to sustain Company operations and to meet its maturing obligations. Debt-to-equity conversions of advances from stockholders in 2013 and 2012 and the equity restructuring in 2014 and 2013 have reduced the Company deficit, resulting to a positive equity of P=298.6 million and P=574.2 million as at December 31 2019 and 2018, respectively.

The Company has successfully entered into potential business ventures to generate revenue. It has acquired a 15% ownership in Sulu Electric Power and Light (Philippines) Inc., which owns and operate a 50 megawatt solar Project in Palo, Leyte; a solar photovoltaic (PV) project for rice milling plants in Northern Luzon and a mall in Mindanao, and; mining sites in Mindanao with pending applications for Exploration Permit with the Mines and Geosciences Bureau.

The Company also has real estate projects in Naga City, Cebu and San Isidro, Leyte representing about 46.0% and 38.8% of Company assets as at December 31, 2019 and 2018, respectively. These two properties have an aggregate market value of P=1,902.1 million based on the latest appraisal.

Our opinion is not modified with regard to these matters.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

June 3, 2020
Makati City, Metro Manila

MRC ALLIED, INC.

(A Subsidiary of Menlo Capital Corporation)

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash in banks		**P=396,281**	P=545,892
Due from related parties	9	**59,024,068**	53,551,849
Real estate projects	4	**562,805,383**	562,805,383
Other current assets	5	**4,993,964**	4,439,572
Total Current Assets		**627,219,696**	621,342,696
Noncurrent Assets			
Property and equipment	6	**–**	–
Exploration and evaluation assets	10	**231,496,991**	464,000,000
Other noncurrent assets	7	**363,655,952**	363,655,952
Total Noncurrent Assets		**595,152,943**	827,655,952
		P=1,222,372,639	P=1,448,998,648
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	8	**P=25,000,000**	P=25,000,000
Accrued interest and penalties	8	**380,283,726**	362,213,393
Subscription payable	7	**255,250,000**	255,250,000
Due to a related party	9	**220,010,011**	190,632,625
Statutory and other payables		**1,892,429**	1,401,096
Total Current Liabilities		**882,436,166**	834,497,114
Noncurrent Liabilities			
Retirement liability	12	**9,262,997**	8,222,861
Subscription payable	7	**30,000,000**	30,000,000
Deferred tax liability		**2,123,245**	2,123,245
Total Noncurrent Liabilities		**41,386,242**	40,346,106
Total Liabilities		**923,822,408**	874,843,220
Equity			
Capital stock		**851,265,898**	851,265,898
Deficit		**(552,715,667)**	(277,110,470)
Total Equity		**298,550,231**	574,155,428
		P=1,222,372,639	P=1,448,998,648

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

(A Subsidiary of Menlo Capital Corporation)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
EXPENSES				
General and administrative	11	**P=25,032,023**	P=30,191,526	P=24,861,387
Interest expense	8	**18,070,333**	20,959,608	24,433,443
		43,102,356	51,151,134	49,294,830
OTHER INCOME (CHARGES) - Net				
Impairment loss on exploration and evaluation assets	10	**(232,503,009)**	–	–
Interest income		**168**	–	126
Reversal of allowance for impairment losses on other current assets	5	**–**	–	979,906
		(232,502,841)	–	980,032
LOSS BEFORE INCOME TAX		**(275,605,197)**	(51,151,134)	(48,314,798)
PROVISION FOR INCOME TAX	14	**–**	–	–
NET LOSS		**(275,605,197)**	(51,151,134)	(48,314,798)
OTHER COMPREHENSIVE INCOME				
Not to be reclassified in profit or loss				
Remeasurement gain on net retirement liability - net of tax		**–**	–	4,954,240
TOTAL COMPREHENSIVE LOSS		**(P=275,605,197)**	(P=51,151,134)	(P=43,360,558)

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2019	2018	2017
CAPITAL STOCK - P=0.10 par			
Authorized - 15,000,000,000 shares			
Issued and outstanding - 8,512,658,975 shares			
Balance at beginning and end of year	**P=851,265,898**	P=851,265,898	P=851,265,898
DEFICIT			
Balance at beginning of year	**(277,110,470)**	(225,959,336)	(182,598,778)
Net loss	**(275,605,197)**	(51,151,134)	(48,314,798)
Remeasurement gain on net retirement liability - net of tax	**–**	–	4,954,240
Balance at end of year	**(552,715,667)**	(277,110,470)	(225,959,336)
	P=298,550,231	P=574,155,428	P=625,306,562

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

(A Subsidiary of Menlo Capital Corporation)

SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 **2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(P=275,605,197)**	(P=51,151,134)	(P=48,314,798)
Adjustments for:				
Impairment loss on exploration and evaluation assets	10	**232,503,009**	–	–
Interest expense	8	**18,070,333**	20,959,608	24,433,443
Retirement benefits expense	12	**1,040,136**	1,217,713	2,290,069
Depreciation	6	**–**	152,407	484,488
Reversal of allowance for impairment losses on other current assets	5	**–**	–	(979,906)
Operating loss before working capital changes		**(23,991,719)**	(28,821,406)	(22,086,704)
Increase in:				
Other current assets		**(554,392)**	(757,058)	(635,891)
Statutory and other payables		**491,333**	495,561	532,207
Net cash used in operating activities		**(24,054,778)**	(29,082,903)	(22,190,388)
CASH FLOWS FROM INVESTING ACTIVITIES				
Due from related parties		**(5,472,219)**	(1,386,798)	(14,250,051)
Additions to property and equipment	6	**–**	–	(181,252)
Net cash used in investing activities		**(5,472,219)**	(1,386,798)	(14,431,303)
CASH FLOWS FROM A FINANCING ACTIVITY				
Due to a related party		**29,377,386**	30,537,171	36,978,004
NET INCREASE (DECREASE) IN CASH IN BANKS		**(149,611)**	67,470	356,313
CASH IN BANKS AT BEGINNING OF YEAR		**545,892**	478,422	122,109
CASH IN BANKS AT END OF YEAR		**P=396,281**	P=545,892	P=478,422
NONCASH FINANCIAL INFORMATION				
Conversion of due from related parties to additional investment in shares of stock	7	**P=–**	P=62,155,952	P= –

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

(A Subsidiary of Menlo Capital Corporation)

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. **Corporate Information**

General Information

MRC Allied, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 20, 1990. Its shares are publicly traded in the Philippine Stock Exchange (PSE). The Company is primarily engaged in the development and sale of real estate.

As at December 31, 2019 and 2018, the total number of shares owned by the public aggregated to shares 4,092,403,253 and 4,092,405,249 shares, representing 48.09% and 48.07% of the total issued shares and outstanding, respectively.

The Company is 51.54% owned by Menlo Capital Corporation (MCC), a company incorporated and domiciled in the Philippines and is engaged in the business of Investment House.

The Company's subsidiaries which were incorporated and domiciled in the Philippines are as follows:

	Date of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable energy	100
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100

The Company's registered principal and business address is 5/F Eurovilla 4 Bldg., 853 A. Arnaiz Avenue, Makati City.

Approval of the Separate Financial Statements

The separate financial statements as at December 31, 2019 and 2018 and for the three years ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the BOD on June 3, 2020.

Status of Operations

The Company has incurred deficit amounting to P= 552.7 million and P= 277.1 million as at December 31, 2019 and 2018, respectively. The Company has incurred expenses as it continues to explore and develop potential business ventures. Moreover, the Company had to recognize an impairment loss of P=232.5 million in 2019, on its exploration and evaluation assets, arising from a Mines and Geosciences Bureau (MGB) revalidation report reducing a mining area covered by an Exploration Permit (EP) applied for by the Company (see Note 10). These factors indicate a material uncertainty which may cast a significant doubt on the ability of the Company to continue as going concern.

The Company stockholders, however, have continued to provide the financial support to sustain Company operations and to meet its maturing obligations. Debt-to-equity conversions of stockholders' advances in 2013 and 2012 and equity restructuring in 2014 and 2013 have resulted to a positive equity of P=298.6 million and P=574.2 million as at December 31, 2019 and 2018, respectively.

The Company, through a subsidiary, also had a Solar Energy Service Contract (SESC) with the Department of Energy (DOE) for the exclusive right to explore and develop a solar project in Naga City, Cebu. Predevelopment costs related to the service contract amounted to P=23.5 million as at December 31, 2019 and 2018. In 2018, the Department of Environment and Natural Resources (DENR) ordered the suspension of development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Company had to surrender its service contract with DOE. The DOE is re-evaluating the solar project's technical feasibility and design, and the result is still pending as at December 31, 2019.

In addition, the Company's land located in San Isidro, Leyte with carrying amount of P=359.3 million is subject to a possible government reclamation and subsequent distribution to qualified agrarian reform beneficiaries under the Comprehensive Agrarian Reform Program (CARP). As at December 31, 2019, the Company has not yet received any formal notice or correspondence from the Department of Agrarian Reform (DAR) or other government agencies with regard to the planned distribution (see Note 4).

These factors indicate material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. The Company, however, is exploring potential business ventures to generate revenue and sustain operations over time.

The Company's business development projects are discussed as follows:

a. Clean and Renewable Energy

Solar Power Plant

The Company has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50 megawatt solar project located in Palo, Leyte for P=255.3 million (see Note 7). The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM).

The Company, through its subsidiary, had a service contract with the DOE for the exclusive right to explore and develop a solar project in Naga City, Cebu until the DENR suspended all development activities within the area in 2018, however, management believes that the re-evaluation of the project's technical and feasibility and design by the DENR will result positively for the Company and allow the Company to resume operations (see Note 10).

Solar Photovoltaic (PV) System Projects

The Company, through MREN, has Memorandum of Agreements (Agreements) for a 550 kilowatt-power (kWp) and 1,100 kWp solar PV rooftop systems for a rice milling plants in the Northern Luzon are and a mall located in Mindanao, respectively (see Note 10).

b. Real Estate

The Company has two land banks consisting of 160-hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares raw land located in the Municipality of San Isidro, Leyte. The NCTO comprises parcels of land that are registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal dated June 1, 2017, these properties have a fair market value of P=1,902.1 million.

In January 2020, the DAR issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte, which includes the land owned by the Company, to qualified beneficiaries. As of date, however, the Company has not received a formal notice from the DAR or other government agencies regarding the planned distributions (see Note 4).

c. Mining

The Company has Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) for the exploration and evaluation of mining sites located in Mindanao (see Note 10).

d. Export

In December 2019, the Company entered into an agreement with a third party domiciled and incorporated under the laws of the Republic of China for the delivery of sand for a period of five (5) years (see Note 10).

The ability of the Company to continue as a going concern depends largely on the successful implementation and outcome of the foregoing projects and the continuing financial support of the stockholders of the Company.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company also prepared and issued consolidated financial statements. The consolidated financial statements are available for public use and can be obtained at the Company's registered office address and at the SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

The separate financial statements of the Company have been prepared under the historical cost basis except for investment in unquoted securities which are measured at fair value through other comprehensive income (FVOCI). Historical cost is generally based on the fair value of the consideration given in exchange for asset and fair value of consideration received in exchange for incurring a liability.

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

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Further information about the assumptions made in measuring fair value is included in Notes 4 and 16 of the separate financial statements.

<u>Adoption of New and Amended PFRS</u>

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

PFRS 16, *Leases*

PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

Transition. The Company has applied the requirements of PFRS 16 retrospectively, but opted not to present a third separate statement of financial position because the adoption of PFRS 16 did not result to a significant adjustment in the opening retained earnings of the earliest period presented.

The Company has a lease agreement for its office space for a period of one year, subject to renewal on an annual basis, upon mutual agreement between the parties. The Company, however, has elected not to recognize the ROU asset and lease liability for this short-term lease agreement (see Note 13).

Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss model under PFRS 9 shall be applied to these long-term interests.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures have been included in the separate financial statements, as applicable.

Amended PFRS Issued Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the separate financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity **-**

Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures have been included in the notes to financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial assets and liabilities at FVPL and debt instruments designated at FVOCI as at December 31, 2019 and 2018.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Company's cash in banks, trade receivables and due from related parties are classified under this category (see Note 9 and 10).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income (OCI) are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the separate statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2019 and 2018, the Company designated its unquoted investment in equity securities as financial assets at FVOCI (see Note 7).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Company's loans payable, accrued interest and penalties, due to a related party and subscription payable are classified under this category (see Notes 8 and 9).

Reclassification
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost
The Company records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, as appropriate, and on assessment of both the current as well as the forecast direction of condition at the reporting date, including time value of money where appropriate.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

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

the right to receive cash flows from the asset has expired;

the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the separate statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the separate statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

Deliver cash or another financial asset to another entity;

Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Real Estate Projects
Real estate projects are valued at the lower of cost or net realizable value (NRV). Expenditures for development and improvements are capitalized as part of the cost of the land. Costs of land and improvements include interest incurred on loans while development is in progress, the proceeds of which were used to finance the development of the land. Interest capitalization is suspended for the periods in which there are no active development and improvements. NRV is the fair value in the ordinary course of business less marketing costs.

Other Current Assets
Other current assets consist of input value-added tax (VAT), deposits and creditable withholding tax (CWT).

Input VAT. Input VAT represents tax imposed on the Company by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Company's current VAT liability.

Deposits. Deposits represent payments made in relation to the lease entered into by the Company. These are carried at cost less any impairment in value, and will generally be applied as lease payment or final payment at the end of the agreements.

CWT. CWT represent taxes withheld by the Company's customers as required under Philippine taxation laws and regulations. CWT are recognized as asset and will be used to offset against the Company's income tax liability.

Property and Equipment

Property and equipment are stated at cost but excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met, and the estimated present value of the cost of dismantling and removing the asset and restoring the site. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Transportation equipment	5
Furniture, fixtures and equipment	3
Land improvements	5

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation are removed from the accruals and any resulting gain or loss is recognized in the separate statements of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized.

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

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Company's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. These shall be written-off if the results of the exploration work are determined to be not commercially viable. If the results are commercially viable, the deferred expenditures and the subsequent development cost shall be capitalized and amortized from the start of commercial operations using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Investments in Subsidiaries

The Company's investments in shares of stock are accounted for at cost less impairment in value, if any. Subsidiaries are entities over which the Company has the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The reporting dates of the subsidiaries of the Company are identical and the subsidiaries' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of comprehensive income.

Capital Stock

Capital stock is measured at par value for all shares issued.

Deficit

Deficit represents cumulative balance of Company's result of operations.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

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

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

Expense Recognition

Expenses are recognized in the separate statements of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase of liability has arisen that can be measured reliably.

General and Administrative. General and administrative expenses constitute cost of administering the business. These are expensed as incurred.

Interest Expense. Interest expense represents the cost of money used in operations. It is recognized as incurred using the effective interest rate method.

Penalties. Penalties represent the cost of money paid for late charges. These are expensed as incurred.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. The Company has an unfunded, defined benefit retirement plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and net interest expense or income in separate statements of comprehensive income. Net interest is calculated by applying the discount rate to the retirement liability. Past service cost are recognized in profit or loss on the earlier of the date of the plan amendment curtailment, and the date the Company recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any changes in effect of the asset ceiling (excluding net interest on retirement liability) are recognized immediately in the OCI in the period in which they arise and are closed to retained earnings (deficit). Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16.

Company as a Lessee. The Company applies the short-term lease recognition exemption to its short-term lease of office space (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized under other comprehensive income and outside profit or loss.

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

Related Party Relationships and Transactions

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

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's length prices or terms similar to those offered to non-related entities in an economically comparable market.

Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the separate statements of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

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

Events After the Reporting Date

Events after the reporting period that provide additional information about the Company's financial position at the end of the reporting date (adjusting events) are reflected in the separate financial statements. Events after the reporting period that are non-adjusting events are disclosed in the notes to separate financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of separate financial statements require management to exercise judgments, make estimates and assumptions that affect the application of accounting principles and amounts reported in the separate financial statements and related notes. The judgments and estimates used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

In the process of applying the Company's policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements.

Assessing the Ability of the Company to Continue as a Going Concern. The Company has incurred deficit amounting to P=552.7 million and P=277.1 million as at December 31, 2019 and 2018, respectively. The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy and mining. On December 9, 2019, the MGB issued the result of its re-validation of the Company's application for EP for its MOA with PMC, which reduces the applied mining area from 8,475.60 hectares to 593.20 hectares. As a result, impairment loss amounting to P=232.5 million was recognized (see Note 10).

The Company, through its subsidiary, had a service contract with the DOE for the exclusive right to explore and develop a solar project in Naga City, Cebu. However, because of supervening events affecting the condition and feasibility of the area, the DENR ordered the suspension of all development activities in the area in 2018. Consequently, the Company had to surrender its service contract with the DOE which will then re-evaluate the project's technical feasibility and design. The result of the re-evaluation is still pending as at December 31, 2019.

In addition, the Company's land located in San Isidro, Leyte with carrying amount of P=359.3 million is subject to a possible government reclamation and subsequent distribution to qualified agrarian reform beneficiaries under the CARP. As at December 31, 2019, the Company has not yet received any formal notice or correspondence from the DAR or other government agencies with regard to the planned distribution (see Note 4).

The Company's business development projects are discussed in Note 1. The Company has two land banks with appraised value of P=1,902.1 million. Moreover, the stockholders continue to provide financial support. Based on the foregoing plans, management has assessed to continue to operate on a going concern basis.

Classifying Financial Instruments. The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's separate statements of financial position. The Company classifies its 15% ownership in the unquoted shares of SEPALCO as financial assets at FVOCI. Management has assessed that its carrying amount approximates its fair value.

Determining Control over Investment in Subsidiaries. The Company determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following factors were also considered:

The contractual arrangement with the other vote holders of the investee

Rights arising from other contractual arrangements

The Company's voting rights and potential voting rights

Classifying Lease Commitments - Company as a Lessee. The Company has entered into a lease agreement for its office space for a period of one year. The Company elected not to recognize ROU assets and lease liability for short-term leases. The Company recognizes the lease payments associated with this agreement as an expense on a straight-line basis over the lease term.

Assessing Legal Contingencies. The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results. As at December 31, 2019, the Company is involved in litigations and claims, which arise in the normal course of business. Management and its legal counsel believe, however, that the ultimate outcome of these cases will not materially affect the Company's financial position, financial performance and cash flows. No provision for impairment losses arising from legal contingencies was recognized in the separate financial statements as at December 31, 2019 and 2018.

Estimates and Assumptions

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

Estimating Provision for ECL on Financial Assets at Amortized Cost. The Company measures the loss allowance for a financial asset at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward-looking. For financial instruments for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL).

The Company recognized provision for ECL on due from related parties amounting to nil in 2019 and 2018 (nil in 2017 under PAS 39). The carrying amount of due from related parties amounted to P=59.0 million and P=53.6 million as at December 31, 2019 and 2018, respectively (see Note 9).

Estimating NRV of Real Estate Projects. The Company assess whether the carrying values of real estate projects exceeds its NRV. The Company recognizes allowance for impairment losses on its real estate projects when the carrying value exceeds NRV.

No allowance for impairment losses was recognized in 2019 and 2018 because the fair value of the real estate projects is higher than their carrying values.

The carrying amount of the real estate projects amounted to P=562.8 million as at December 31, 2019 and 2018. The fair value of the real estate projects aggregated P=1,902.1 million as at December 31, 2019 and 2018 (see Note 4).

Estimating Useful Lives of Property and Equipment. The Company estimates the useful life of each property and equipment based on the period over which the property and equipment are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of the property and equipment in 2019 and 2018.

The carrying amount of the Company's property and equipment amounted to nil as at December 31, 2019 and 2018 (see Note 6).

Assessing Impairment of Nonfinancial Assets. The Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value-in-use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No impairment loss was recognized on the Company's nonfinancial assets in 2019, 2018 and 2017. Allowance for impairment losses on other current assets amounted to P= 7.2 million as at December 31, 2019 and 2018 (see Note 5).

The carrying amount of significant nonfinancial assets as at December 31 are as follows:

	Note	**2019**	2018
Other current assets	5	**P=4,993,964**	P=4,439,572
Property and equipment	6	**–**	–
Other noncurrent assets*	7	**108,405,952**	108,405,952

**Excluding financial asset at FVOCI*

Estimating Recoverability of Exploration and Evaluation Assets. The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether the future economic benefits are likely, based on assumptions made and may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the separate statements of comprehensive income in the period when the new information becomes available. The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable and exceeds their fair value.

The mining sites have ongoing applications for EP with the MGB which is already in the final stage of evaluation and will be issued a memorandum advice containing the result of their evaluation and the Company's compliance therein will lead to the issuance of the clearance for the approval of the applications for EP. Moreover, the fair market value of the EP based on independent engineer's valuation is higher than its carrying value.

The fair market values of the EP are arrived at using the Sales Comparison Approach which assumes that a purchaser of a mine would not be justified in paying more for a property than it would cost him to acquire an equally desirable substitute mineral property. Moreover, this approach assumes an open market, exposure for a reasonable period of time, knowledgeable buyers and sellers, absence of duress on both buyer and seller, and a sufficient number of transactions to create a stable market.
The most significant assumptions in the valuation report are the recent comparable sales of porphyry copper-epithermal gold properties in the Philippines and the status of the EP applications which are in the final stage of processing by the MGB.

Impairment loss on exploration and evaluation assets amounting to P=232.5 million was recognized in 2019 and nil 2018 and 2017. Exploration and evaluation assets amounted to P=231.5 million and P=464.0 million as at December 31, 2019 and 2018, respectively (see Note 10).

Assessing Impairment on Investment in Subsidiaries. The Company assesses any impairment on its investment in subsidiaries whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Indicators such as significant decline in market value and significant negative industry or economic trends are considered by the Company in deciding when to perform impairment review.

No impairment loss on investment in subsidiaries was recognized in 2019, 2018 and 2017. The carrying value of the investment in subsidiaries amounted to P=363.7 million as at December 31, 2019 and 2018 (see Note 7).

Estimating Retirement Liability. The determination of obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions, notwithstanding the simplification in estimating retirement liability; the Company still makes a certain assumption particularly on discount rates and expected salary increase rates as indicated in Note 12 While the Company believes that the assumption is reasonable and appropriate, significant differences in the actual experience or significant changes in the assumption may materially affect the retirement liability.

Retirement liability amounted to P=9.3 million and P=8.2 million as at December 31, 2019 and 2018, respectively (see Note 12).

Assessing Realizability of Deferred Tax Assets. The Company reviews the carrying values of deferred income tax assets at each reporting date and reduces the carrying value to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized in the future. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred income tax assets on deductible temporary difference and carry forward benefits of NOLCO and excess MCIT based on the projected taxable income in the following periods.

Deferred tax assets were not recognized because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom. As at December 31, 2019 and 2018, the unrecognized deferred tax assets amounted to P=117.0 million and P=46.2 million, respectively (see Note 14).

4. **Real Estate Projects** This

account consists of:

	2019	2018
AWT	**P=359,257,715**	P=359,257,715
NCTO	**203,547,668**	203,547,668
	P=562,805,383	P=562,805,383

These land banks comprising 160-hectare industrial estate in Naga City, Cebu (NCTO) and 700-hectare land in Leyte (AWT) are valued at P=1,100.0 million and P=802.1 million, respectively, based on a valuation report by an independent appraiser dated June 13, 2017.

The valuation of real estate projects applied the sales comparison approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity and the related market data. These are adjusted for the difference in location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability of the specific property.

This fair value measurement is categorized as Level 3 (significant unobservable input). Management believes that this value is indicative of the fair value of the properties.

There were no borrowing costs capitalized as at December 31, 2019 and 2018.

In January 2020, the DAR issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte, which includes the land owned by the Company, to qualified agrarian reform beneficiaries under the CARP. As of the date of the approval and issuance of these consolidated financial statements, the Company has not received a formal notice from the DAR or other government agencies regarding the planned distribution.

5. **Other Current Assets**

This account consists of:

	Note	**2019**	2018
Input VAT		**P=4,993,963**	P=4,439,571
Deposits	13	**3,735,443**	3,735,443
CWT		**3,418,129**	3,418,129
		12,147,535	11,593,143
Less allowance for impairment losses		**7,153,571**	7,153,571
		P=4,993,964	P=4,439,572

Movements in allowance for impairment losses are as follows:

	2019	2018	2017
Balance at beginning of year	**P=7,153,571**	P=7,153,571	P=8,133,477
Less reversal of allowance for impairment losses	**–**	–	979,906
Balance at end of year	**P=7,153,571**	P=7,153,571	P=7,153,571

The Company recognized other income from reversal of allowance for impairment losses amounting to nil in 2019 and 2018 and P=1.0 million in 2017.

6. **Property and Equipment**

Details and movements of this account follow:

		2019			
	Note	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Land Improvements**	**Total**
Cost					
Balances at beginning and end of year		**P=696,424**	**P=2,438,073**	**P=7,076,743**	**P=10,211,240**
Accumulated Depreciation and Amortization					
Balances at beginning and end of year		**696,424**	**2,438,073**	**7,076,743**	**10,211,240**
Carrying Amount		**P=–**	**P=–**	**P=–**	**P=–**

	Note	2018 Transportation Equipment	Furniture, Fixtures and Equipment	Land Improvements	Total
Cost					
Balances at beginning and end of year		P=696,424	P=2,438,073	P=7,076,743	P=10,211,240
Accumulated Depreciation and Amortization					
Balances at beginning of year		696,424	2,285,666	7,076,743	10,058,833
Depreciation and amortization	11	–	152,407	–	152,407
Balances at end of year		696,424	2,438,073	7,076,743	10,211,240
Carrying Amount		P=–	P=–	P=–	P=–

Fully depreciated property and equipment with cost and accumulated depreciation amounting to P=10.2 million as at December 31, 2019 and 2018, are still being used in operations.

7. Other Noncurrent Assets

This account consists of:

	Note	**2019**	2018
Investment in subsidiaries:			
MRC Tampakan		**P=20,000,000**	P=20,000,000
MRC Surigao		**20,000,000**	20,000,000
MREN		**68,405,952**	68,405,952
Financial asset at FVOCI	1	**255,250,000**	255,250,000
		P=363,655,952	P=363,655,952

These subsidiaries have not started commercial operations. The related subscription payable amounted to P=30.0 million as at December 31, 2019 and 2018.

The key financial information of subsidiaries follows:

	2019		
	MREN	**MRC Surigao**	**MRC Tampakan**
Total assets	**P=48,643,420**	**P=4,224,133**	**P=–**
Total liabilities	**31,515,070**	**15,814,328**	**500,000**
Equity (Capital deficiency)	**17,128,350**	**(11,590,195)**	**(500,000)**
Net loss	**(6,591,559)**	**(342,000)**	**–**

	2018		
	MREN	MRC Surigao	MRC Tampakan
Total assets	P=32,387,391	P=4,224,133	P=–
Total liabilities	8,667,482	15,472,328	500,000
Equity (Capital deficiency)	23,719,909	(11,248,195)	(500,000)
Net loss	(7,762,935)	(342,000)	–

Financial asset at FVOCI pertain to the 15% investment in the shares of stock of SEPALCO. The related subscription payable is due and demandable.

The Company designated its investment in SEPALCO as financial asset at FVOCI because the Company intends to hold this investment for the long term and for strategic purposes. The Company assessed that the cost of investment is an appropriate estimate of its fair value because sufficient and relevant information is not available to measure the investment's fair value as at December 31, 2019 and 2018.

No financial assets at FVOCI were disposed of during 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

On September 26, 2018, the BOD approved the subscription of 249,500 shares of MREN at P=100 per shares through conversion of advances to related parties into additional investment of shares of stock.

On September 26, 2018, the BOD approved the application of advances to MREN amounting to P=62.2 million as full payment for the unpaid subscription of P=18.8 million and additional issuance of 100,000 shares at P=100 par value per share or equivalent to P=10.0 million, with additional paid in capital of P=33.4 million (see Note 9).

8. Loans Payable

Bank loan amounting to P=25.0 million represents unsecured, due and demandable loans payable to First Metro Investment Corporation (FMIC) with 13% annual interest. Interest and penalties from this loan consist of:

	2019	2018	2017
Interest	**P=3,254,301**	P=3,246,302	P=3,256,301
Penalties	**14,816,032**	17,713,306	21,177,142
	P=18,070,333	P=20,959,608	P=24,433,443

Accrued interest and penalties amounted to P=380.3 million and P=362.2 million as at December 31, 2019 and 2018, respectively.

9. Related Party Transactions

The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2019 and 2018:

	Nature of Transactions	Transactions during the Year 2019	Transactions during the Year 2018	Outstanding Balance 2019	Outstanding Balance 2018
Due from:					
Stockholder	Advances	**P=257,586**	(P=3,770,720)	**P=32,617,479**	P=32,359,893
Subsidiaries	Advances for working capital	**5,222,433**	(56,733,494)	**26,330,329**	21,107,896
	Conversion of advances for additional investment in shares of stock of MREN	**–**	62,155,952	**–**	–
Officers	Advances for business purpose	**(7,800)**	(264,940)	**330,705**	338,505
Less allowance for impairment loss		**–**	–	**254,445**	254,445
		P=5,472,219	P=1,386,798	**P=59,024,068**	P=53,551,849
Due to -					
Parent	Advances for working capital	**P=29,377,386**	P=30,537,171	**P=220,010,011**	P=190,632,625

Terms and Conditions

Advances made to officers and employees are unsecured, non-interest bearing and are settled through liquidation and salary deduction for a specified period of time.

Outstanding balances from related parties, except for advances to officers, are unsecured, noninterest-bearing, collectible or payable on demand and will be settled in cash.

On September 26, 2018, the BOD approved the application of advances to the wholly-owned subsidiary amounting to P=62.2 million as full payment for the unpaid subscription of P=18.8 million and additional issuance of 100,000 shares at P=100 par value per share or equivalent to P=10.0 million, with additional paid in capital of P=33.4 million (see Note 7).

Key Management Personnel

Management and professional fees of key management personnel of the Company amounted to P=3.6 million in 2019, P=1.5 million in 2018 and P=1.1 million in 2017.

10. **Agreements**

MOA

The Company entered into MOAs for gold and copper covering mining areas where AMC and PMC have applications for EP or Mineral Production Sharing Agreement (MPSA) with the MGB. These are summarized as follows:

Holder	Date	Location	No. of Hectares as at December 31, 2019	No. of Hectares as at December 31, 2018
AMC	November 8, 2010	Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,559.1	7,559.1
	January 7, 2011	Marihatag, Surigao del Sur	3,759.3	3,759.3
PMC	February 4, 2011	Paquibato, Davao City	593.2	8,475.6
	March 28, 2011	Boston and Cateel, Davao Oriental	4,860.0	4,860.0

In consideration for the MOA dated November 8, 2010 and February 4, 2011, MCC, a stockholder, issued 600 million MCC shares each to AMC and PMC in 2011 equivalent to P=464.0 million. MCC also paid for the reimbursement costs on pre-exploration activities amounting to P=20.0 million.

The Company has not yet transferred 600 million common shares at 0.10 par value for the MOA dated March 28, 2011 pending final determination of the mining areas by PMC. The consideration for the MOA dated January 7, 2011, which was entered into by MRC Surigao, is subject to a separate agreement.

With the lifting of the moratorium on mining applications, the MGB released the result of its re-validation of the mining area covered by the Parent Company's application for EP for its MOA with PMC dated February 4, 2011. MGB's re-validation determined that a huge portion of the mining area covered by the application falls within the "Areas Closed to Mining Applications" pursuant to the pertinent provisions of the DENR Administrative Order No. 2012-07, implementing rules and regulations of Executive Order No. 79, as amended (the Administrative Order), while certain portions are situated within the Davao City Conservation Area. Hence, the mining area applied for by the said EP has been reduced from 8,475.60 hectares to 593.19 hectares resulting to the recognition of an impairment loss of P=232.5 million.

The Company continues to pursue its pending applications for EP for the other mine sites which are in the final stage of evaluation by the MGB. The MGB is set to issue letter-notices on the results of the evaluation and the Company's full compliance with the requirements included in these notices are crucial for the approval of the said applications.

The carrying amount of exploration and evaluation assets amounted to P=231.5 million and P=464.0 million as at December 31, 2019 and 2018, respectively.

Each MOA provides for, among others:

3% royalty on gross proceeds or gross sales of all mineral production payable 15 days after every three months commencing at the end of the first full quarter after the commencement of production; and

P=2.0 million to P=3.0 million royalty advances at every anniversary date of the MOA. However, the Company has not yet provided any royalty advances for the MOA dated March 28, 2011 due to pending EPs.

Moreover, the Company will assume all financial costs and expenditures and provide all technical expertise, manpower and support to AMC and PMC to get the necessary MPSA for the mining areas and to comply with the tenement requirements to bring the mining agreements into commercial mining production and operation within the earliest time possible. The agreements with the Philippine government shall always be in the name of AMC and PMC with the Company as the operator.

Solar Power Projects

a. In 2018, the Company executed Memorandum of Agreements to develop, design, construct and install a 550 kWp and 1,100 kWp solar PV rooftop system for a third party rice miller located in the Northern Luzon area and a mall located in Mindanao, respectively. In 2019, these agreements are pursued through MREN.

   On March 1, 2019, the Company re-executed the agreement for the 1,100 kWp solar PV project in a mall located in Mindanao. The project was put on-hold to allow the assessment for the structural integrity of the building which may have been compromised because of recent earthquakes that occurred in Mindanao.

b. The Company, through MREN, had a SECS with the DOE for the exclusive right to explore and develop a solar project in Naga, Cebu which is in predevelopment stage. MREN, among others, has to secure the necessary permits and clearances from all relevant government entities for the project. It also has to perform exploration, assessment, field verification, harnessing, piloting and other activities and provide technology and financing in connection with the predevelopment stage.

   However, in 2018, the DENR ordered the suspension of development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Company had to surrender its service contract with the DOE to allow for the re-evaluation of the project's technical feasibility and design. The result of said re-evaluation is still pending as at December 31, 2019. Predevelopment costs pertaining to the costs of feasibility studies, permits and payments to technical consultants related to project amounted to P=23.5 million, recorded in the subsidiary's financial statements, as at December 31, 2019 and 2018.

Export

In December 2019, the Company signed a natural sand sale and purchase agreement with a third party incorporated under the laws of the Republic of China for the delivery of a natural river sand in bulk from a potential seller for a fixed price per metric ton. The agreement has a period of five (5) years.

11. **General and Administrative Expenses**

This account consists of:

	Note	**2019**	2018	2017
Salaries, wages and employee benefits		**P=15,699,039**	P=15,519,789	P=14,190,833
Management and professional fees		**3,165,889**	3,436,891	2,913,032
Rent	13	**1,441,490**	1,243,229	1,124,539
Entertainment, amusement and recreation		**964,837**	2,489,264	1,908,050
Transportation and travel		**923,655**	811,417	915,618
Communication, light and water		**592,713**	722,439	458,675
Taxes and licenses		**300,313**	1,556,735	475,480
Dues and subscriptions		**270,854**	336,347	445,301
Fuel and oil		**161,375**	251,807	138,887
Supplies		**147,951**	186,073	238,352
Depreciation and amortization	6	**–**	152,407	484,488
Others		**1,363,907**	3,485,128	1,568,132
		P=25,032,023	P=30,191,526	P=24,861,387

Others represent marketing, insurance, donations, service charges, security services and other miscellaneous expenses.

12. **Retirement Liability**

The Company has an unfunded, defined benefit retirement plan covering all of its qualified employees.

The latest actuarial valuation is as at December 31, 2017. The components of retirement liability recognized in the statements of financial position are as follow:

	2019	2018
Balance at beginning of year	**P=8,222,861**	P=7,005,148
Retirement benefits expense:		
Current service cost	**681,795**	691,713
Interest cost	**358,341**	526,000
Balance at end of year	**P=9,262,997**	P=8,222,861

Retirement benefits expense presented under “Salaries, wages and employee benefits” amounted to P=1.0 million in 2019, P=1.2 million in 2018 and P=2.3 million in 2017.

The actuarial assumptions used to determine the retirement benefits are as follows:

	2019	2018
Discount rates	**5.11%**	7.50%
Expected rates of salary increase	**10.00%**	10.00%

Sensitivity analysis based on reasonable possible changes of assumptions are as follows:

	Basis Points	**2019**	2018
Discount rate	+100	**(1,805,688)**	(P=1,540,134)
	-100	**2,266,785**	1,914,710
Salary rate	+125	**2,133,077**	1,847,883
	-125	**(1,748,051)**	(1,521,232)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The weighted average duration of the retirement benefit plan is 17 years in 2019.

The maturity analysis based on a 10-year projection of expected future benefit payments amounted to P=294,750 for the financial year 2020.

13. Operating Lease Commitment

The Company has operating lease agreement with third party lessor for its office space. The lease agreement is valid for one year and may be extended for another period subject to terms and conditions as may be agreed upon by both parties. Deposits on lease contract amounted to P=3.7 million as at December 31, 2019 and 2018 (see Note 5).

Rent charged to “General and administrative expenses” account in the separate statements of comprehensive income amounted to P=1.4 million in 2019, P=1.2 million in 2018 and P=1.1 million in 2017 (see Note 11).

14. Income Taxes

The Company’s provision for income tax amounted to nil in 2019, 2018 and 2017 due to its taxable loss position.

The Company did not recognize deferred tax assets amounting to P=117.0 million and P=46.2 million as at December 31, 2019 and 2018, respectively, as it is not probable that sufficient taxable income will be available against which the benefit of the deferred tax assets can be utilized.

The components of unrecognized deferred tax assets are as follows:

	2019	2018
Allowance for impairment loss on exploration and evaluation assets	**P=69,750,903**	P=–
NOLCO	**40,091,438**	39,323,080
Net retirement liability	**4,902,145**	4,590,104
Allowance for impairment losses on other current assets	**2,146,071**	2,146,071
Allowance for expected credit losses on due from related parties	**76,334**	76,334
Excess MCIT over RCIT	**–**	39,286
	P=116,966,891	P=46,174,875

As at December 31, 2019, the Company has NOLCO that can be carried forward and claimed as deduction against future taxable income are as follows:

Year Incurred	Amount	Expired	Balance	Expiry
2019	P=41,097,313	P=–	P=41,097,313	2022
2018	47,444,156	–	47,444,156	2021
2017	45,096,659	–	45,096,659	2020
2016	38,536,119	38,536,119	–	2019
	P=172,174,247	P=38,536,119	P=133,638,128	

Movements in MCIT are as follows:

Year Incurred	Amount	Expired	Balance	Expiry
2016	P=39,286	P=39,286	P=–	2019

The reconciliation of income tax computed using the statutory tax rates to the provision for income tax as shown in the separate statements of comprehensive income are as follows:

	2019	2018	2017
Income tax benefit computed at statutory income tax rate	**(P=82,681,559)**	(P=15,345,340)	(P=14,494,439)
Change in unrecognized deferred tax assets	**70,792,016**	(68,212,791)	2,288,628
Adjustments for:			
Expired NOLCO	**11,560,836**	82,554,883	11,633,418
Nondeductible expense	**289,471**	746,779	572,431
Expired MCIT	**39,286**	256,469	–
Interest income subject to final tax	**(50)**	–	(38)
	P=–	P=–	P=–

PEZA Registration

The Company is an ecozone developer/operator of NCTO and AWT pursuant to Republic Act (RA) No. 7916 as amended by RA No. 8748. As a PEZA-registered developer/operator, the Company is subject to 5% tax on gross income of the PEZA-registered activities in lieu of all national and local taxes. As at December 31, 2019, the Company has no PEZA-registered activities.

15. Events after the Reporting Period

The country is currently experiencing a pandemic virus (COVID-19) crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on the Company operations and financial performance, however, cannot be reasonably determined as at our report date.

Nonetheless, the Company believes that it can remain a going concern given its access to short-term and long-term funding.

16. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's financial instruments consists of cash in banks, due from related parties, loans payable, accrued interest and penalties, due to a related party and subscription payable.

The BOD is responsible for the Company's risk management. The Company has risk management policies to identify and manage Company exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks which are summarized below.

Credit Risk. Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. Credit risk from balances with banks and related parties are managed by the Company's management in accordance with the policies set by the BOD. The Company's maximum exposure of credit risk is equal to the carrying amounts of the financial assets.

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

	2019	2018
Cash in banks	**P=396,281**	P=545,892
Due from related parties	**59,024,068**	53,551,849
Total credit risk exposure	**P=59,420,349**	P=54,097,741

The tables below show the credit quality and aging analysis of the Company's financial assets as at December 31, 2019 and 2018:

	2019							
	Neither Past Due nor Impaired			Past Due but not Impaired				
	High Grade	Standard Grade	Substandard Grade	1 - 30 Days	31 - 60 Days	More than 60 Days	Impaired	Total
Cash in banks	**P=396,281**	**P=–**	**P=–**	**P=–**	**P=–**	**P=–**	**P=–**	**P=396,281**
Due from related parties	**–**	**59,024,068**	**–**	**–**	**–**	**–**	**–**	**59,024,068**
	P=396,281	**P=59,024,068**	**P=–**	**P=–**	**P=–**	**P=–**	**P=–**	**P=59,420,349**

	2018							
	Neither Past Due nor Impaired			Past Due but not Impaired				
	High Grade	Standard Grade	Substandard Grade	1 - 30 Days	31-60 Days	More than 60 Days	Impaired	Total
Cash in banks	P=545,892	P=–	P=–	P=–	P=–	P=–	P=–	P=545,892
Due from related parties	–	53,551,849	–	–	–	–	–	53,551,849
	P=545,892	P=53,551,849	P=–	P=–	P=–	P=–	P=–	P=54,097,741

The credit quality of the receivables is managed by the Company using internal credit quality ratings. High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Financial assets that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible. Financial assets that are most likely uncollectible are considered as impaired. At the reporting date, there is no significant concentration of credit risk.

Liquidity Risk. The Company's objective is to maintain a balance between continuity of funding and flexibility through availment of loans and advances from related parties. The maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018 based on contractual payments follow:

	2019				
	Total Carrying Amounts	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Loans payable	**P=25,000,000**	**P=25,000,000**	**P=–**	**P=–**	**P=–**
Accrued interest and penalties	**380,283,726**	**380,283,726**	**–**	**–**	**–**
Subscription payable	**285,250,000**	**285,250,000**	**–**	**–**	**–**
Due to a related party	**220,010,011**	**220,010,011**	**–**	**–**	**–**
	P=910,543,737	**P=910,543,737**	**P=–**	**P=–**	**P=–**

	2018				
	Total Carrying Amount	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Loans payable	P=25,000,000	P=25,000,000	P=–	P=–	P=–
Accrued interest and penalties	362,213,393	362,213,393	–	–	–
Subscription payable	285,250,000	285,250,000	–	–	–
Due to a related party	190,632,625	190,632,625	–	–	–
	P=863,096,018	P=863,096,018	P=–	P=–	P=–

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains strong credit ratings and healthy capital ratios in order to support its operations, pay existing obligations and maximize stockholder value.

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from related parties, return capital to stockholders or issue new shares. No changes were made in the objectives, policies and processes in 2019 and 2018.

As discussed in Note 1, the Company is continuously undertaking specific actions to improve operations, including restructuring and settlement of outstanding loans and communication with prospective investors which are part of the Company's policies and processes in managing its capital.

The Company's debt-to-equity ratio as at December 31, 2019 and 2018 are shown below:

	2019	2018
Total liabilities	**P=923,822,408**	P=874,843,220
Total equity	**298,550,231**	574,155,428
	3.09:1	1.52:1

Fair Value

As at December 31, 2019 and 2018, the fair values of financial instruments are as follows:.

	2019		2018	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets:				
Cash in banks	**P=396,281**	**P=396,281**	P=545,892	P=545,892
Due from related parties	**59,024,068**	**59,024,068**	53,551,849	53,551,849
Financial assets at FVOCI	**255,250,000**	**255,250,000**	255,250,000	255,250,000
	P=314,670,349	**P=314,670,349**	P=309,347,741	P=309,347,741
Financial liabilities:				
Loans payable	**P=25,000,000**	**P=25,000,000**	P=25,000,000	P=25,000,000
Accrued interest and penalties	**380,283,726**	**380,283,726**	362,213,393	362,213,393
Subscription payable	**285,250,000**	**285,250,000**	285,250,000	285,250,000
Due to a related party	**220,010,011**	**220,010,011**	190,632,625	190,632,625
	P=910,543,737	**P=910,543,737**	P=863,096,018	P=863,096,018

The carrying amounts of the Company's financial assets and liabilities approximate their fair values due to their short-term maturities.

Reyes Tacandong & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas Makati
City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
MRC Allied, Inc.
5/F Eurovilla 4 Bldg.
853 A Arnaiz Avenue
Makati City

We have audited the accompanying separate financial statements of MRC Allied, Inc. (the Company), a subsidiary of Menlo Capital Corporation, as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated June 3, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has six hundred twenty (620) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

June 3, 2020
Makati City, Metro Manila