



Imperial Resources Inc <impresinc@gmail.com>

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**SEC FORM 20-IS IMP DEFINITIVE INFORMATION STATEMENT 12312020**

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**MSRD COVID19** <msrd\_covid19@sec.gov.ph>

Tue, Jun 15, 2021 at 11:58 AM

To: Imperial Resources Inc <impresinc@gmail.com>

Cc: "FRANCO B. DELFIN" <fbdelfin@sec.gov.ph>

Sir/Madam,

We acknowledge receipt of your email. The same has been forwarded to our Handling Specialist.

Thank you.

Regards,

**MARKETS AND SECURITIES REGULATION DEPARTMENT**  
**PHILIPPINE SECURITIES AND EXCHANGE COMMISSION**

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# COVER SHEET

3 9 2 4 3  
S.E.C. Registration Number

IMPERIAL RESOURCES  
INCORPORATED  
QUEZON CITY, METRO MANILA

(Company's Full Name)

82-J 4TH STREET,  
BARANGAY MARIANA, NEW MANILA  
QUEZON CITY, METRO MANILA

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

JESUS VICENTE B. CAPELLAN

8 7 2 1 - 6 9 9 4  
Company Telephone Number

## SEC FORM 17-C

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3 1

DEFINITIVE INFORMATION STATEMENT (20-IS) AS  
OF DECEMBER 31, 2020

0 9

0 3

Month Day  
Fiscal Year

Form Type

Month Day  
Annual Meeting

N/A

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

N/A

Total No. of Stockholders

Total Amount of Borrowings

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

**IMPERIAL RESOURCES INCORPORATED**

Unit 202 Villa Building, No. 78 Jupiter Street, Bel-Air  
Makati City, Metro Manila

**NOTICE OF THE REGULAR ANNUAL STOCKHOLDERS' MEETING**

**DEAR STOCKHOLDERS:**

**NOTICE IS HEREBY GIVEN** that the regular annual meeting of the stockholders of **IMPERIAL RESOURCES INCORPORATED** will be held at **Events Space, Unit 206 2<sup>nd</sup> Floor, Villa Building, No. 78 Jupiter Street, Bel-Air, Makati City, Metro Manila**, on **Thursday, July 08, 2021**, at **10:00 o'clock in the morning through Google Zoom Platform**, with **Meeting ID: 879 9928 3914; Passcode: 831718**. The order of business of said meeting shall be as follows:

1. Secretary's Proof of Notice of Meeting
2. Declaration of Quorum
3. Approval of the Minutes of Regular Annual Stockholders' Meeting held on September 03, 2020
4. Annual Report as at December 31, 2020
  - 4.1. President's Report to Equity Holders
  - 4.2. Financial Statements
5. Approval by the stockholders of the Annual Report and the Financial Statements of the corporation
6. Election of seven (7) members of the board of directors inclusive of two (2) independent directors
7. Ratification of the appointment of Villaruz, Villaruz & Co. CPA's as Independent Auditor of Imperial Resources Incorporated, with business address at Unit 3, Level 9 Galleria Corporate Center, E. Delos Santos Avenue (EDSA) corner Ortigas Avenue, Quezon City, Metro Manila
8. Ratification of all acts, contracts, resolutions and proceedings of the Board of Directors and Corporate Officers acting within the scope of their designated authority from September 03, 2020 Annual Stockholders' Meeting until the present, July 08, 2021
9. Other Matters
10. Adjournment

The Board of Directors has fixed **May 24, 2021** as the record date for the determination of stockholders who are entitled to notice and to vote at the meeting. On the other hand, the stock and transfer book of the Company will be closed at 5:00 o'clock in the afternoon of **June 29, 2021** and will be reopened after the stockholders meeting.

**JESUS VICENTE B. CAPELLAN**  
Corporate Secretary

## **IMPERIAL RESOURCES INCORPORATED**

Unit 202 Villa Building, No. 78 Jupiter Street, Bel-Air,  
Makati City, Metro Manila  
Telephone Nos. 8721-6994 & 8570-6972

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### **CERTIFICATION**

This to certify that none of the members of the board of directors or officers of Imperial Resources Incorporated are connected or employed in the government.

This certification is issued in connection with the preparation of SEC FORM 20-IS, a requirement by the Securities and Exchange Commission.

Makati City, Metro Manila

June 15, 2021

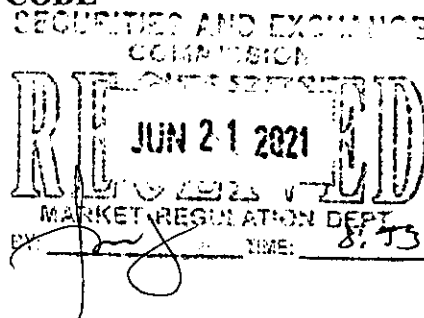


**JESUS VICENTE B. CAPELLAN**  
Corporate Secretary



SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



Filed by the Registrant ☒ [ x ]

Filed by a Party other than the Registrant ☐ [ ]

1. Check the appropriate box:

☐ [ ] Preliminary Information Statement

☒ [ X ] Definitive Information Statement

2. Name of Registrant as specified in its charter **IMPERIAL RESOURCES INCORPORATED**

3. **Metro Manila, Philippines**

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **39243**

5. BIR Tax Identification Code **000-463-670-000**

6. **Unit 202 Villa Building, No. 78 Jupiter Street, Bel-Air, Makati City**

**Metro Manila**

**1200**

Address of principal office

Postal Code

7. Registrant's telephone number, including area code **(632)8721-6994/8570-6972**

8. **July 08, 2021, 10:00 A.M. at Events Space, Unit 206 2<sup>nd</sup> Floor, Villa Building**  
**No. 78 Jupiter Street, Bel-Air, Makati City, Metro Manila, through Google Zoom**  
**Platform, with Meeting ID: 879 9928 3914; Passcode: 831718.**

Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **June 17, 2021**

10. There is no proxy solicitation

11. Securities registered pursuant to Sections 8 and 12 of the Code or Section 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrants):

Number of Shares of Common Stock	
Title of Each Class	Outstanding and Amount of Debt Outstanding
Common Stock – P1.00 par value	652,500,000 Six Hundred Fifty-Two Million Five Hundred Thousand Common Shares

**There are no debt securities**

Amount of Debt Outstanding - Php55,200,696

12. Are any or all of Registrant's securities listed on a Stock Exchange?

Yes [☒] No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange**

**Common Stock Shares**

The original Twenty Million (20,000,000) shares of stock consisting of Fourteen Million (14,000,000) Common Class "A" shares and Six Million (6,000,000) Common Class "B" shares are listed in the Philippine Stock Exchange. After the approval of the change in par value from Php5.00 to Php1.00 and declassification of Class "A" and Class "B" into Common Stock by the Securities and Exchange Commission on February 10, 2017, the Common Stock shares listed with Philippine Stock Exchange has become 100,000,000 shares.

**PART I**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

However, if you wish to send a representative or proxy, please send your proxy letter not later than **June 30, 2021** for recording and validation to the office of the Corporate Secretary of Imperial Resources Incorporated at Unit 202 Villa Building, No.78 Jupiter Street, Bel-Air, Makati City, Metro Manila 1200 or at No. 82-J 4<sup>th</sup> Street, Mariana, New Manila, Quezon City, Metro Manila 1112.

**ITEM 1. DATE/TIME/PLACE OF THE ANNUAL MEETING OF THE SECURITY HOLDERS**

a. The stockholders' meeting shall be held on:

Date : July 08, 2021 (Thursday)

Time : 10:00 o'clock

Place : Events Space, Unit 206 2<sup>nd</sup> Floor, Villa Building  
No. 78 Jupiter Street, Bel-Air, Makati City

Mode : Through Google Zoom Platform, with  
Meeting ID: 879 9928 3914; Passcode: 831718

Complete mailing address of the business office of the Registrant:  
**No. 82-J 4<sup>th</sup> Street, Mariana, New Manila, Quezon City, Metro Manila**

b. The approximate date on which the information statement is first to be sent and given to the security holders shall be **June 17, 2021**.

## ITEM 2. DISSENTER'S RIGHT OF APPRAISAL

Any stockholder of the corporation shall have the right to dissent and demand payment of the fair value of his/her shares in any of the following instance(s):

1. In case of any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; and
3. In case of merger or consolidation; and,
4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

There are no corporate actions that will be taken up at the regular annual stockholders' meeting for which a stockholder may exercise the right of appraisal.

**How Right is Exercised** - The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for the payment of the fair value of his/her shares; Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his/her shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his/her shares to the corporation.

**Effect of Demand and Termination of Right** - From the time of demand for payment of the fair value of the dissenting stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend rights shall immediately be restored the stockholder.

**When Right to Payment Ceases** - The demand for payment pursuant to the exercise of appraisal right may not be withdrawn unless the corporation consents thereto. If, however, such demand for payment is withdrawn with the consent of the corporation, or if the proposed corporate action is abandoned or rescinded by the corporation or disapproved by the Commission where such approval is necessary, or if the Commission where such stockholder is not entitled to the appraisal right, then the right of the stockholder to be paid the fair value of the shares shall cease, the status of the stockholder shall be restored, and all dividend distributions which would have accrued on the shares shall be paid to the stockholder.

**Who Bears Costs of Appraisal** - The costs and expenses of appraisal are borne by the corporation, unless the fair value ascertained by appraisers is approximately the same as the price which the corporation may have offered to pay the stockholder, in which case said expenses shall be borne by

the dissenting stockholder. In the case of an action to recover such fair value, all costs and expenses shall be assessed against the corporation, unless the refusal of the stockholder to receive payment was unjustified.

**Notation on Certificates; Rights of Transferee** - Within ten (10) days after demanding payment for shares held, a dissenting stockholder shall submit the certificates of stock representing the shares to the corporation for notation that such shares are dissenting shares. Failure to do so shall, at the option of the corporation, terminate the appraisal right. If shares represented by the certificates bearing such notation are transferred, and the certificates consequently cancelled, the rights of the transferor as a dissenting stockholder shall cease and the transferee shall have all the rights of a regular stockholder; and all dividend distributions which would have accrued on such shares shall be paid to the transferee.

### ITEM 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

- (a) There is no substantial interest, direct or indirect, by security holders or otherwise, of each of the following persons in any manner to be acted upon, other than the election to office.
  1. Each person who has been a director or officer of the Registrant at any time since the beginning of the last fiscal year;
  2. Each nominee for election as director of the Registrant;
  3. Each associate of any of the foregoing persons.
- (b) No director has informed the Registrant in writing that he/she intends to oppose any action to be taken at the meeting. No indication of any action intended to be opposed.

## B. CONTROL AND COMPENSATION INFORMATION

### ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) As of Record Date, the Company had the following outstanding shares of common stocks:

<b>Class Voting Share</b>	<b>No. of Shares Outstanding</b>	<b>Voting Shares Entitled to Vote</b>	
<b>Title of Each Class</b>	<b>Number of Shares Outstanding Computed at P1.00 Par value per Share</b>	<b>%</b>	<b>No. of Shares Entitled to Vote</b>
Common Filipino	650,496,724	99.69%	One vote per share
Common Foreign	2,003,276	0.31%	One vote per share
<b>Total</b>	<b>652,500,000</b>	<b>100%</b>	

- (b) All stockholders as of May 24, 2021 record date are entitled to notice, and shall have the right to nominate any director who possesses all of the qualifications and none of the disqualifications set forth in the Revised Corporation Code.

At all elections of directors, there must be present, either in person or through a

representative authorized to act by written proxy, the owners of majority of the outstanding capital stock entitled to vote. The Registrant, it being vested with public interest, allows stockholders to vote through remote communication or *in absentia*.

The stockholder who participates through remote communication or *in absentia*, is deemed present for purposes of quorum.

The election must be by ballot if requested by any voting stockholder. Otherwise, it is by the raising of hands to determine the number of shares who voted in favor of the resolution or the matter submitted for approval.

- (c) Stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own name in the stock and transfer book of the corporation as at record date. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: *Provided*, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected (The total number of votes that may be cast by a stockholder of the Company is computed as follows: No. of shares held on record as of record date x 7 Directors. In all other cases, each share of stock is entitled to one vote: *Provided, however*, That no delinquent stock shall be voted. Nominees for directors receiving the highest number of votes shall be declared elected.

If no election is held, or the owners of majority of the outstanding capital stock entitled to vote are not present in person, by proxy, or through remote communication or not voting *in absentia* at the meeting, such meeting may be adjourned.

The non-holding of elections and the reasons therefor shall be reported to the Commission within thirty (30) days from the date of the scheduled election. The report shall specify a new date for the election, which shall not be later than sixty (60) days from the scheduled date.

If no new date has been designated, or if the rescheduled election is likewise not held, the Commission, upon petition of a stockholder on a showing of good cause therefor, may issue an order, directing the petitioning stockholder to call a meeting of the corporation by giving proper notice required by the Revised Corporation Code or the by-laws. The petitioning stockholder shall preside thereat until at least a majority of the stockholders present have chosen from among themselves, a presiding officer.

The directors or trustees elected shall perform their duties as prescribed by law, rules of good corporate governance, and by-laws of the corporation.

**Right to Vote of Secured Creditors and Administrators** - In case a stockholder grants security interest in his/her shares, the stockholder-grantor shall have the right to attend and vote at meetings of stockholders, unless the secured creditor is expressly given by the stockholder-grantor such right in writing which is recorded in the appropriate corporate books.

Executors, administrators, receivers, and other legal representatives duly appointed by the court may attend and vote on behalf of the stockholders without need of any written proxy.

**Voting in case of joint ownership of stock.** - In case of shares of stock owned jointly by two or more persons, in order to vote the same, the consent of all the co-owners shall be necessary, unless there is a written proxy signed by all the co-owners, authorizing one or some of them or any other person to vote such share or shares; *Provided*, that when the shares are owned in an "and/or" capacity by the holder thereof, any one of the joint owners can vote said shares or appoint a proxy therefore.

**Voting right for treasury shares** - Treasury shares shall have no voting right as long as such stock remains in Treasury.

## VOTING PROCEDURE

In all matters to be submitted to voting which are: (1) amendment of the By-Laws; and, (2) increasing the authorized capital stock, the counting of the majority or two thirds (2/3) of the outstanding capital stock shall be by raising of hands to determine the number of shares who vote in favor of the resolution for the amendment or increase of the authorized capital stock and other incidents.

- Vote required for amended By-Laws, the owners of at least a majority of the outstanding capital stock.
- Vote required for the increase of authorized capital stock, the approval by a majority vote of the Board of Directors and two-thirds (2/3) of the outstanding capital stock.
- There is no information or fact gained that a change in control of the Registrant has occurred since the beginning of its last fiscal year. Hence, no details can be stated.

In the election of the seven (7) directors of the board, the seven (7) nominees (including the two (2) nominees for independent directors) who garner the highest votes shall each be deemed duly elected to the Board. Voting by ballot shall be supervised by a Voting Committee. However, voting by ballot shall be dispensed with upon assent of seventy per cent (70%) of the outstanding shares.

## C - Security Ownership of Certain Record and Beneficial Owners and Management

### (1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS OF MORE THAN 5% OF ANY CLASS AS OF May 31, 2021

(1) Title of Class	(2) Name, Address of Record Owner and Relationship With Issuer	(3) Name of Beneficial Owner and Relationship With Record Owner	(4) Citizenship	(5) No. of Shares Held	(6) Percent of Ownership
<i>Common Stock</i>	<i>PCD Nominee, Corporation G/F MSE Building 6767 Ayala Ave., Makati City (Stockholder)</i>	<i>Various Stockholders Clients</i>	<i>Filipino and Others Nationalities</i>	<i>33,228,565</i>	<i>5.093%</i>
<i>Common Stock</i>	<i>Oliverio G. Laperal, Sr.* 31 Pili Avenue, Forbes Park Makati City (Stockholder)</i>	<i>Owner</i>	<i>Filipino</i>	<i>546,552,070</i>	<i>83.763%</i>

\* Insofar as the affected shares, Desiderio L. Laperal is the designated executor of the testate state of Oliverio G. Laperal, Sr., who died on August 26, 2018, now pending probate proceedings, entitled – In Re: Petition for the Probate of the Will of Oliverio G. Laperal, Sr., Desiderio Christopher L. Laperal, petitioner, docketed as R-MKT-18-04136-SP, Regional Trial Court, Branch 148, Makati City, Metro Manila.

## (2) SECURITY OWNERSHIP OF MANAGEMENT AS OF MAY 31, 2021

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature Of Beneficial Ownership	(4) Citizenship	(5) Percent of Class
<b>(a) Directors and Executive Officers:</b>				
Common Stock	Desiderio L. Laperal	1,670,000 shares (voting power and investment return (Record)	Filipino	0.256%
Common Stock	Oliverio L. Laperal, Jr.	1,580,000 shares (voting power and investment return (Record)	Filipino	0.242%
Common Stock	Jesus Vicente B. Capellan	160,000 shares (voting power and investment return (Record)	Filipino	0.025%
Common Stock	Vilma B. Villanueva	200,000 shares (voting power and investment return (Record)	Filipino	0.031%
Common Stock	Horacio M. Pascual*	175,000 Shares (voting power and investment return (Record)	Filipino	0.027%
Common Stock	Nelson G. Mendoza	10,000 shares (voting power and investment return (Record)	Filipino	0.002%
Common Stock	Genelita G. Manandic	1,000 shares (voting power and investment return (Record)	Filipino	0.000%
<b>(b) Directors and Executive Officers as a group unnamed</b>				
Common Stock		3,796,000 shares (voting power and investment return (Record)	Filipino	0.582%

## (2) VOTING TRUST HOLDERS OF 5% OR MORE

There are no holders of voting trust agreements or of similar import.

## (3) CHANGES IN CONTROL

Management continues to receive inquiries regarding possible strategic alliance or merger. However, as of the date of this report there is no formal arrangement firmed up with any person or group of persons or entities which may result in a change in control of the Registrant and, therefore, there is no material information to disclose.

## D - Certain Relationships and Related Transactions

During the years 2019 and 2020, the Company records show that there were consummated transactions to which the Registrant was a party, in which a director, executive officer or stockholder owns ten per cent (10%) or more of the total outstanding shares. The following are material transactions:

### 1. Parent Company and Subsidiary

The Parent Company has made advances for the working capital of its subsidiary Philippine Cyber College Corp. As of December 31, 2020 and 2019 the Parent Company's advances amounted to Php24,175,934.25 and Php23,961,934.25, respectively. In accordance with the consolidation process, these have been eliminated in the consolidated financial statements.

## 2. Key Management Personnel

	Amount of transactions	Outstanding balance	Terms and conditions
<u>Year 2020</u>			
Short-term employee benefits	P 1,645,902	P -	There are no termination, other long-term benefits and share-based payments granted to our key management personnel for the year ended December 31, 2020.
Post-employment benefits	2,603,859	-	
<u>Year 2019</u>			
Short-term employee benefits	P 1,732,721	P -	There are no termination, other long-term benefits and share-based payments granted to our key management personnel for the year ended December 31, 2019.
Post-employment benefits	2,572,770	-	
<u>Year 2018</u>			
Short-term employee benefits	P 1,657,652	P -	There are no termination, other long-term benefits and share-based payments granted to our key management personnel for the year ended December 31, 2018.
Post-employment benefits	2,522,890	-	

There were no termination, post-employment, other long-term benefits and share-based payments granted to the key management personnel for the years ended December 31, 2020, 2019 and 2018. The President/Chief Executive Officer and Vice-President/Treasurer (Chief Financial Officer) do not receive salary from the Company but receive a monthly allowance of P5,000.00 starting last April 2019. The members of the Board of Directors receive only per diem of P10,000 per attendance in the regular and special meeting of the Board. The Per Diem for the attendance in the annual stockholders' meeting followed by the organizational meeting or special stockholders meeting is Fifteen Thousand Pesos (P15,000.00). The total amount of per diem paid in 2020, 2019 and 2018 were P245,000, P225,000 and P195,000, respectively.

### 3. Parent Company and Imperial Development Corporation – Common Director

The Parent Company is renting its office from Imperial Development Corporation. Mr. Desiderio L. Laperal, a director and officer of the company, owns more than ten percent (10%) of the total outstanding shares of Imperial Development Corporation and is at the same time a director and officer of said corporation. The total rental expense for 2020 was P635,712. The contract of lease expired on December 31, 2020 and was renewed for another year at a monthly rate of P52,976 for another year. Starting from January 1, 2021 to December 31, 2021.

This is further discussed under Note 19 pages 50-51 in the Notes to Consolidated Financial Statements as of December 31, 2020.

### 4. Parent Company and its Subsidiary and Filipinas Golf and Country Club, Inc. – Common Director

The Parent Company and its subsidiary (PCC) have a sub-lease agreement (sub-lessee) with Filipinas Golf and Country Club, Inc. as a sub-lessor for an office space of about ten (10) square meters, more or less, each located at the second floor of an office building for a period of one year



starting January 1, 2015. The monthly rental paid by each sub-lessee is P6,179.04 from January, 2015 to May, 2015 and P6,434.40 from June, 2015 to December, 2015. The sub-lease agreement was renewed for another year. From January, 2016 to May, 2016 the monthly rental paid by each sub-lease was P6,434.40 and from June, 2016 to December, 2016 it was P6,689.76. The sub-lease agreement was extended until the expiration of the lease contract of Filipinas Golf and Country Club, Inc. with the building owner which was May 31, 2017. FGCC renewed its contract with the building owner for another one (1) year starting June 1, 2017 until May 31, 2018. Subsequently, IRI & PCC renewed its sub-lease contract with FGCC for another one (1) year starting from June 1, 2017 to May 31, 2018 with a monthly rental of P6,689.76 each which covered water bills, parking and association dues. Again IRI & PCC renewed its sub-lease contract with FGCC at P7,013.89 per month which covered water bills, parking and association dues for another one (1) year starting from June 1, 2018 until May 31, 2019 after FGCC renewed its lease contract with the building owner also for another one (1) year from starting June 1, 2018 until May 31, 2019. On April 6, 2019, FGCCI renewed its lease contract with the building owner for a term of three (3) years commencing on April 1, 2019 until March 31, 2022.

IRI and PCC renewed the sub-lease contract with FGCCI for another year starting from April 1, 2019 until March 31, 2020 at P8,915.91 each per month which covered also water bills, parking and association dues. Again, IRI and PCC renewed its sub-lease contract with Filipinas Golf & Country Club, Inc. for another year. The rent from April 1, 2020 to December 31, 2020 is P8,465.41 and from January 1, 2021 to March 31, 2021 is P9,325.43 including water bills, parking and association dues in both period.

#### **5. Parent Company and its Officer / Major Stockholder**

The Parent Company has advances payable as of December 31, 2020 to its major stockholder, Mr. Oliverio G. Laperal, Sr., amounting to P12,861,214.83. This payable does not have any repayment date. It is also non-interest bearing.

#### **6. Parent Company and LTC Real Estate Corporation**

In March 2016, LTC Real Estate Corp., an investor, and the Parent Entity entered into a memorandum of agreement for the prospective subscription on the shares of stocks of the Parent Entity at the prevailing par value in the amount of Ten Million Pesos (P10,000,000) on or before December 31, 2016. The said amount shall be considered as a deposit and shall be subject to disposition, transfer and recovery by the investor. The Parent Entity has the corresponding duty to hold in trust and/or return the said amount on demand.

As at December 31, 2019, 2018 and 2017, the Parent Entity failed to meet all the required conditions to consider the deposit as deposit for future stock subscription. Thus, the deposit was recognized as advances from shareholders under non-current liabilities in the statements of financial position. The total amount of advances made by LTC Real Estate Corp. are P37,522,625, P31,001,625 and P21,737,625 for the years 2020, 2019 and 2018, respectively.

The Parent Entity and its subsidiary do not have any guarantees of securities of other issuing entities by the issuer for which the statement is filed as at December 31, 2020.

These certain relationships and related transactions are further discussed in the Notes to the Consolidated Financial Statements under Note 19 pages 48-49.

The Parent Entity and its subsidiary do not have any relationship with any parties that fall outside of the definition "Related Parties" under SFAS/IAS No. 24.

In the past three years there has been no complaint, dispute or claim against related party transactions that the Company is aware of.

### Insider Trading/Material Inside Information

The Company is not aware of any case of insider trading involving any of its directors and officers in the past three years. All its directors, officers and employees are aware that the Company does not allow the unlawful use of material inside information by any of them.

### ITEM 5. Directors and Executive Officers of the Company (1) a-c.

Name	Age	Citizenship	Position
Atty. HORACIO M. PASCUAL	88	Fil.	Chairman of the Board
Mr. OLIVERIO L. LAPERAL, JR.	71	Fil.	President/Chief Executive Officer/ Member, Board of Director
Mr. DESIDERIO L. LAPERAL	66	Fil.	Vice President/Chief Financial Officer/Treasurer/ Member, Board of Director
Ms. VILMA B. VILLANUEVA	78	Fil.	Assistant Treasurer/Comptroller/ Chief Accounting Officer/ Member, Board of Directors
Atty. JESUS VICENTE B. CAPELLAN	54	Fil.	Corporate Secretary/ Member, Board of Directors
Ms. GENELITA G. MANANDIC* (Independent Director)	58	Fil.	Member, Board of Directors
Mr. ANTHONY NELSON G. MENDOZA* (Independent Director)	78	Fil.	Member, Board of Directors

\*\*An "Independent Director" refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, who would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Company has its Nomination Committee which recommends to the board those qualified to be elected as members of the board of directors. Since there was no regular annual stockholders' meeting as scheduled on September 03, 2020, due to the absence of quorum, those members of the board at that time retained their positions on hold-over basis.

There has been no director who has resigned nor declined to stand for re-election to the board of directors since the last three (3) years because of a disagreement with the Company on matters relating to its operations, policies and practices.

Pursuant to SEC Memorandum Circular No. 4, Series of 2017, which promotes and reinforces board independence and consistent with recognized best business practices, the following are the amended rules on the term limit of independent directors:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;
2. After which, the independent director shall be perpetually barred from re-election as such in the same Company, but may continue to qualify as a non-independent director;

3. In the instance that a Company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification(s) and seek shareholders' approval during the annual stockholders' meeting; and,
4. Reckoning of the cumulative nine-year term is from 2012.

All directors are aware of the requirements of the Securities and Exchange Commission regarding the purchase and/or sale of their Company shares which are covered by SEC Form 23 A/B and 18A/18AS. During the year 2020 no director purchased or sold any shares of the Company.

The term of office of the directors is one year. The period during which the directors/ officers have served the Company is presented in their respective resume attached to and forming part of this report.

- d. A summary of the business experiences during the past five (5) years of each of the above-named directors are shown in their respective resume attached to this report as ANNEX "B".

## **(2) Significant Employees**

The Company views its human resources as an important factor in its operations, however, the Company is not highly dependent on the services of any key personnel, hence, no arrangement has been made with respect to any person who will remain with the Company and perceived to compete upon termination. Employees who resign or terminated are required to sign a quitclaim stating among others that they are binding themselves not to divulge any information or trade secrets which they have learned or which have come to their knowledge in confidence and which if revealed would be prejudicial to the Company.

## **(3) Family Relationship:**

Mr. Oliverio L. Laperal, Jr., Chief Executive Officer/President, and Mr. Desiderio L. Laperal, Vice-President and Chief Financial Officer are the sons of Mr. Oliverio G. Laperal, Sr.(+), former President and Chief Executive Officer and a major stockholder.

## **(4) Involvement in Certain Legal Proceedings (Occurred during the past five (5) years and Material to Evaluation)**

During the past five (5) years or since January 1, 2015 up to the present, the Company is not aware of any events involving legal proceedings of such nature that are material to the evaluation of its present Directors/Officers, namely: Desiderio L. Laperal, Oliverio L. Laperal, Jr., Jesus Vicente B. Capellan, Horacio M. Pascual, Vilma B. Villanueva, Anthony Nelson G. Mendoza and Genelita G. Manandic.

- a. The Company is not aware of any bankruptcy petition filed by or against any business which any of the above-mentioned directors/officers was a general partner or executive officer at anytime within five (5) years;
- b. The Company is not aware of any conviction by final judgment for any offense, in a criminal proceeding, domestic or foreign, or being the subject of a pending criminal proceeding of any of the above-mentioned directors/officers;
- c. The Company is not aware of any order, judgment or decree, not subsequently reversed, suspended, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above-mentioned directors/officers in any type of business, securities, commodities or banking activities;

- d. The Company is not aware of any finding by a domestic or foreign court of competent jurisdiction, the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, that any of the above mentioned directors/officers has violated a securities or commodities law or regulation and said judgment has not been reversed, suspended or vacated.

While there are cases in which Mr. Desiderio L. Laperal is named individually as party-litigant, said cases do not directly or indirectly concern or pertain to Imperial Resources Incorporated and its subsidiary, the Registrant Corporation, but are cases which name him as representative or individually outside of Imperial Resources Incorporated and its subsidiary. Please see the list of cases hereto attached as Annex "A".

### Number of Independent Directors

All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is lesser. Provided further that said companies may choose to have more independent directors in their boards than as above-required.

The nominees for election as Independent Directors of the Board of Directors on July 08, 2021 are as follows:

Nominees of Independent Directors	Person/Group Recommending Nomination	Relation of (a) and (b)
(a)	(b)	
Mr. Anthony Nelson G. Mendoza	Mr. Oliverio L. Laperal, Jr.	None
Ms. Genelita G. Manandic	Atty. Jesus Vicente B. Capellan	None

### C. Nominees for Election as Members of the Board of Directors.

For the year 2020, the Chairman of the Nomination Committee is Atty. Jesus Vicente B. Capellan, with the following members, Mr. Oliverio L. Laperal, Jr. and Ms. Genelita G. Manandic, as Independent Director.

The nominees for election of the Board of Directors on July 08, 2021 are as follows:

1. Atty. Horacio M. Pascual
2. Mr. Desiderio L. Laperal
3. Mr. Oliverio L. Laperal, Jr.
4. Ms. Vilma B. Villanueva
5. Atty. Jesus Vicente B. Capellan
6. Ms. Genelita G. Manandic (Independent Director) and
7. Mr. Anthony Nelson G. Mendoza (Independent Director)

**ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS****(a) General and Summary Compensation Table  
ANNUAL COMPENSATION**

(a) <b>Name and Principal Position</b>	(b) <b>Year</b>	(c) <b>Salary (P)</b>	(d) <b>13<sup>th</sup> Month/ Bonus (P)</b>	(e) <b>*Other Annual Compensation</b>
Oliverio L. Laperal, Jr. President / Chief Executive Officer	2019	No Compensation	-	25,000.00
	2020	Allowance - 45,000.00	3,750.00	-
		No Compensation	-	35,000.00
		Allowance - 60,000.00	5,000.00	-
	2021	No Compensation	-	35,000.00
		Allowance - 60,000.00	5,000.00	-
Desiderio L. Laperal Chief Financial Officer/ Vice-President/Treasurer	2019	No Compensation	-	35,000.00
	2020	Allowance - 45,000.00	3,750.00	-
		No Compensation	-	35,000.00
		Allowance - 60,000.00	5,000.00	-
	2021	No Compensation	-	35,000.00
		Allowance - 60,000.00	5,000.00	-
A. Jesus Vicente B. Capellan Corporate Secretary	2019	300,000.00	25,000.00	35,000.00
	2020	275,000.00	22,916.67	35,000.00
	2021	300,000.00	25,000.00	35,000.00
B. Vilma B. Villanueva Assistant Treasurer/ Comptroller	2019	513,096.00	42,758.00	35,000.00
	2020	470,338.00	39,194.83	35,000.00
	2020	513,096.00	42,758.00	35,000.00
C. Bernadette S. Magahis Secretary to the President/CEO	2019	474,456.00	39,538.00	-
	2020	429,068.54	35,755.70	-
	2021	474,456.00	39,538.00	-
D. All Other Officers and Directors as a group E. Unnamed	2019	-	-	65,000.00
	2020	-	-	95,000.00
	2021	-	-	105,000.00

\*\* The "Other Annual Compensation" column represents the *per diem* paid to all the members of the Board of Directors for their attendance in the regular and special meetings of the Board.  
For the year 2021, the figures under columns (c), (d) and (e) are estimated figures only.

**(3) Compensation of Directors**

Except for the two directors who receive a monthly allowance of P5,000.00 each starting in April, 2019 the Members of the Board do not receive fixed compensation but each member is given *per diem* for every attendance in regular and special meeting of the Board of Directors in the amount of Ten Thousand Pesos (P10,000.00). The per diem for the attendance of each member in the annual stockholders' meeting followed by the organizational meeting or special stockholders' meeting is Fifteen Thousand Pesos (P15,000.00).

During the year 2020, there were two (2) special meetings of the Board of Director and one (1) Annual stockholders' meeting. There were no absences recorded during the three (3) meetings held through video conferencing.

Other than the standard arrangements pursuant to which the directors of the Registrant are compensated, there are no other arrangements nor consulting contracts, pursuant to which any director of the Registrant was compensated, or is to be compensated, directly or indirectly during the Registrant's last completed

fiscal year and the ensuing year, for any service provided as a director. Other than the per diem paid, there are no other arrangements, bonuses, profit sharing, or other similar plans, which arrangements forming part of the compensation, hence, the details being asked could not be discussed nor disclosed.

**(4) Employment Contracts and Termination of Employment and Change-In-Control Arrangements.**

There are no employment contracts and termination of employment and change-in-control arrangements, hence, the details being asked could not be discussed or disclosed.

**(5) Warrants and Stock Options of Officers and Directors**

During the year covered by this report up to the date of this report, none of the Officers or Directors are recipient of stock options, warrants or rights.

**ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS**

The accounting firm of Villaruz, Villaruz & Co., CPAs will be nominated and recommended to security holders for appointment as External Auditors for the period 2021-2022. Representatives of Villaruz, Villaruz & Co., CPAs are expected to be present in the Annual shareholders Meeting to respond to appropriate questions and to make statement if they so desire. In compliance with SRC Rule 68(3)(b)(iv) as amended on the rotation of External Auditors, the audit of the financial statements of the Company was handled and certified by the managing partner, Mrs. Normita L. Villaruz for calendar years 2019-2020.

As stated in the information statement under "Other Events" and in compliance with the principles of good corporate governance and best business practices, the Board constituted committees, which are the (1) Nomination Committee (2) Audit Committee and (3) Compensation and Remuneration Committee, through the process of election during organizational meeting of the officers of the Company. The term of the elected members is for one (1) year. The election of candidates takes into consideration the qualifications and disqualifications of nominees. Each of the three (3) Committees is composed of three (3) members of the board, one of whom shall be an independent director and shall have adequate understanding or competence of the Company's financial management system and environment. For the year 2020, the Chairman of the Audit Committee is Ms. Genelita G. Manandic, Independent Director, with following member, Mr. Desiderio L. Laperal, and Atty. Horacio M. Pascual.

**ITEM 8. COMPENSATION PLANS**

No action shall be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

- a. The Company has no stock options, warrants or rights;
- b. Likewise, there is no other type of compensation plan;
- c. There is no compensation plan which has been taken up.

Thus, the details being asked could not be discussed nor disclosed. In the same manner no other type of compensation plan, consequently, no details can be discussed.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE**

No action will be taken with respect to the authorization or issuance of any securities otherwise for exchange for outstanding securities of the Registrant. Hence, no information required by Part III paragraph (B) of Annex "A" can be given.

#### **ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES**

No action will be taken with respect to the modification of any class of securities of the Registrant or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

All other instruction contained in letters (a) through (g) are not applicable.

#### **ITEM 11. FINANCIAL AND OTHER INFORMATION**

##### **(a) Information required.**

No other action will be taken with respect to any matter specified in ITEM 9 or ITEM 10, hence, the information required in numbers 1, 4 and 5 with the exception of management discussion and analysis and plan of operation will be included in this information. Representatives of the principal accountants are expected to be present at the security holders meeting where they have the opportunity to make a statement, if they so desire, or are expected to respond to relevant queries which are presented or submitted.

#### **ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS**

No action will be taken with respect to any transaction involving merger, consolidation, acquisition or similar matters, hence, the discussion with respect to the details thereto cannot be given.

All matters asked concerning letters (a), (b), and (c) cannot be given owing to the absence of transactions.

#### **ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY**

No action will be taken with respect to the acquisition or disposition of any property, hence, no information can be given on the matters asked in (a) to (d).

#### **ITEM 14. RESTATEMENT OF ACCOUNTS**

No action will be taken with respect to the restatement of any asset, capital or surplus account of the Registrant, hence, no information on matters asked can be given.

#### **D. OTHER MATTERS**

Suggestions and/or proposals are open to all stockholders of record.

#### **ITEM 15. ACTION WITH RESPECT TO REPORTS**

All minutes of meeting of the Directors are included in Item 8 of the agenda. Likewise, all reports of its directors, officers, or committees are included in the minutes of meetings of the security holders. Specifically, the -

1. Approval of the Minutes of the regular annual stockholders' meeting held on September 03, 2020.
2. Approval by the stockholders of the Annual Report and the Financial Statements of the Company as of December 31, 2020.
3. Election of seven (7) members of the Board of Directors inclusive of two (2) Independent Directors.
4. Ratification of the appointment of Villaruz, Villaruz & Co. CPA's as Independent Auditor of Imperial Resources, Incorporated with business address at Unit 3 Level 9 Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City, Metro Manila.
5. Ratification of all acts, contracts, resolutions, and proceedings of the Board of Directors and Corporate Officers acting within the scope of their designated authority, from September 03, 2020 Annual Stockholders' Meeting until the present July 08, 2021, are included in said reports. These refers to acts, contracts, and proceedings of the Board of Directors and Corporate Officers which shall be approved and thenceforth, ratified by the security holders. All actions of the Board of Directors shall be approved in the annual stockholders' meeting.

Such matter intended for approval or disapproval of any action to be taken have been acted upon in the resolutions passed and approved in the meetings and after proper discussion of the Board, Committees of the Board.

As stated, such matter intended for approval or disapproval have already been acted upon, to a vote of security holders, or by immediate action as called for.

**ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED**

No action is to be taken with respect to any matter which is not required to be submitted to a vote by security holders.

**ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS**

No pending proposals for amendment of the charter, by-laws or other documents which may be submitted to a vote by security holders.

**ITEM 18. OTHER PROPOSED ACTION**

No other proposed action will be taken up with respect to any matter for the approval of the proposed exchange of shares of stock with real estate whose appraised value is less than ten (10%) percent of increased capital stock of the corporation.

**ITEM 19. VOTING PROCEDURES**

For election of directors, the seven (7) nominees receiving the highest number of votes shall be declared elected. For other proposals or matters submitted to a vote, the majority of the *quorum* except when otherwise provided by law, shall be sufficient for its approval.

Counting of the *Ayes* and *Nays* or showing of hand shall be the method by which the votes will be counted unless a stockholder requires balloting in which case, the casting of votes of the stockholders shall be by the ballots. Votes shall be counted by the representatives of the external auditor, Villaruz, Villaruz & Co., CPA's and the Corporate Secretary, Atty. Jesus Vicente B. Capellan, who shall serve as members of the Committee on Election.

**INCORPORATION BY REFERENCE**

Incorporated hereto, by reference as **Annex "A"** is the Management Report; **Annex "B"** is the lists of cases where Mr. Oliverio L. Laperal, Jr. and Mr. Desiderio L Laperal are joined as parties-litigants and which are outside of or extraneous to Imperial Resources Incorporated; **Annex "C"** is the Resume of directors and officers; **Annex "D"** is the Quarterly Report 17-Q as of March 31, 2021; **Annex "E"** is 2020 Audited Consolidated Financial Statements as at December 31, 2020 of Imperial Resources Incorporated; and, **Annex "F"** is the Certification of the Independent Directors.

**PART II**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge, I certify that the information set forth in this report are true, complete and correct. This report is signed in Makati City on June 15, 2021. The Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**IMPERIAL RESOURCES INCORPORATED**

Issuer

**June 15, 2021**

Date

**JESUS VICENTE B. CAPELLAN**

Corporate Secretary



## ANNEX "A"

### MANAGEMENT REPORT:

#### BUSINESS AND GENERAL INFORMATION

##### PART 1 - BUSINESS

#### (A) Description of Business –

##### 1. Business Development

Imperial Resources Incorporated (the Company), was incorporated in the Philippines on September 5, 1969, with the principal purpose of engaging in the mining and oil exploration business. Its capitalization was Php 25 million with P0.01 par value per share or 2.5 billion common shares of stock. In 1970 the shares of the Company were listed in the Philippine Stock Exchange. Pursuing its primary purpose, the Company conducted an onshore drilling in Badian, Cebu. This did not result to a discovery of gas and oil. Thereafter, the Company participated in twelve (12) offshore oil drilling in the South Sulu Sea and Reed Bank area in partnership with three (3) internationally-renowned oil companies despite its limited resources. Again, there was no commercial oil or gas discovery in all its offshore drillings. With depleted financial resources the company decided to close its mining and oil exploration projects.

In 2000, the Company amended its articles of incorporation making the business of Information Technology (IT) as its primary purpose and the mining and oil exploration as one of its secondary purposes. In line with this, the Company established Philippine Cyber College Corporation (PCC) as its 99% per cent – owned subsidiary which operated two (2) I.T. learning centers, one in Baguio City and another at Malolos City, Bulacan until the end of school year 2007-2008.

In 2007 after the approval by the Board of Directors, the stockholders and finally, the SEC the change of the par value of the Company's common shares of stock from Php 0.01 to Php 5.00 was implemented in the Philippine Stock Exchange.

In 2009 after closing the two (2) I.T. learning centers, PCC opened a techno-vocational training project in Pasay City to train students to become world class welders. However, it operated only until the latter part of 2009.

A Memorandum of Agreement was executed in January, 2009 by and between the Company and P.T. Aspal Buton Nasional, an Indonesian company, which owns about 2,900 hectares of Asphalt Mining Concession in Sulawesi, Indonesia, whereby the Company was given exclusive rights to explore and evaluate the mining property and subsequently exploit, develop and bring it to commercial production. Series of geophysical and geologic studies and surveys were conducted in the ensuing years as basis for the preparation of a Project Feasibility Report.

In 2015 the Company received proposals to venture into silica sand mining to address the demand of companies in the manufacture of flat glass and glass bottles. A project cost study was presented to the Company for analysis, discussion, evaluation and consideration. Thereupon, initial findings show that the project is financially viable and promising.

The Company, however, after making further studies on the sustainability of the project owing to the latest environmental policies, regulations and pronouncements made by the various government

agencies on mining and the local peace and order situation in the proposed silica sand mining sites, the management has decided to keep the project on hold temporarily.

The Company since the incorporation has never experienced bankruptcy, receivership or similar proceeding because the majority stockholders have committed to support financially the Company's operations through payments of their unpaid subscription even in the absence of a formal call by the Board of Directors and cash advances as needed. There are no new material classification, merger, or purchase or sale of a significant amount of assets not in the ordinary course of business.

On March 29, 2011, the Board of Directors held a special meeting wherein the change of par value of the shares of stock of the Company from Five Pesos (Php5.00) to one Peso (Php1.00) per share was approved. This was subsequently ratified by the stockholders during the regular annual stockholders' meeting held on July 14, 2011.

On March 28, 2016, the Board of Directors held a special meeting wherein the declassification of the shares of stock of the Parent Entity from Common Class 'A' and Class 'B' to Common Stock voting shares was approved. This was subsequently confirmed and ratified by the stockholders during the regular annual stockholders' meeting held on July 14, 2016.

The change of par value and the declassification of the Class 'A' and Class 'B' shares of stock into Common stock were approved by the SEC on February 10, 2017 and PSE implemented the said changes on February 22, 2017.

## **2. Business of Issuer**

### **a. Mining**

#### **a.1. Asphalt**

The Company conducted geologic and geophysical (Electric Resistivity) surveys in 2009 on approximately two hundred (200) hectares and one thousand seven hundred (1,700) hectares, all located in Buton Island, southwest of Sulawesi Province in Indonesia the result of which was promising.

In August, 2010 the Company furnished a few samples of rocks gathered from the mining property to Toyo-Union Co. Ltd. (TUCL) and expressed an intention to have a business association with them, subject to some terms and conditions, including confidentiality and exclusivity rights reserved for the Company. This was firmed up through a Memorandum of Agreement signed on September 13, 2010. During 2011, the engineers and geologists of TUCL together with the engineers from Aspal Buton Nasional were able to go to the asphalt concession areas and collected about sixty (60) kilos of samples and TUCL were able to bring the samples to Tokyo. However, this project with TUCL did not prosper.

During the second half of 2011, the two asphalt concessions were expiring. However, because of the significant geophysical electric resistivity survey arranged and conducted by Aspal Buton Nasional, and funded by the Company, approval for extension of the exploration concession for additional period of two (2) years was obtained. In 2013, the Company was able to secure another extension of the lease of its mining concession.

In 2011, the Company has spent US\$220,000 for additional geologic works/studies needed for the preparation of the project feasibility report and environmental impact report required pending conversion of PT Aspal Buton Nasional Exploration permit to Development and Exploitation permit. In 2012, the Company spent US\$120,000 for more geological works/studies. The Project Feasibility Report and Environmental Impact Report written in Bahasa Indonesia upon completion were submitted to the

Indonesian authorities for approval. The Company funded the translation of the Project Feasibility Report and Environmental Impact Report from Bahasa Indonesia to English in 2012 and was completed in 2013. These English version reports will be used by the Company in looking for and negotiating with foreign investors for possible tie-up or capital funding considering that this project entails a huge capital outlay.

In 2014, the Company spent US\$50,000 for obtaining informal approval for exploitation concession of the 1,722 hectares located at Waangu-Angu area and US\$ 52,000 for the preparation of the required technical report on post-production program to restore most of the mined-in areas to usable condition.

In 2015, the Company remitted US\$99,250 to Mr. Eddy Surohadi for the account of P.T. Aspal Buton and P.T. Indominas to cover the budget required for various technical and tax expenses on the CNC (Clean and Clear Certificate) IUP Production Program for the coverage area of 1,722 hectares located at Waangu-Angu area.

Up to the present, the Company is awaiting a progress report from the Indonesian partners and submission of additional budget needed regarding its application for formal approval for the exploitation concession of the above stated area before it releases additional funds.

On March 16, 2017, in the special meeting of the Board of Directors, it was resolved that while the Company is proceeding with caution and at the same time re-evaluating its Indonesian mining project owing to the precipitous fall in the world price of crude, the Company is at present inclined to pursue the said project especially so that the Indonesian partners have been continuously looking for foreign partners to invest capital needed after they have secured formal approval of the exploitation concession because of its viability. Furthermore, an in depth study and evaluation, shall be made on silica mineral mining venture as priorly been proposed and discussed. Towards this end, the Laperal family and LTC Real Estate Corporation committed to support and fund the said projects.

## **a.2. Precious Metals**

On January 17, 2010, the Company signed a Memorandum of Agreement with PT. Indominas, an Indonesian Company duly organized and existing under the laws of the Republic of Indonesia, with principal office address at JL. Klampis Anom II/29, Surabaya, Indonesia (referred to as Claimowners). After January 17, 2010, the Claimowners expect to be granted Mining Rights by the government state corporation Perusahaan Daerah (Perusda) Pd. Utama Sultra of South East Sulawesi of the Republic of Indonesia, covering an approximate 4,779 hectares mining exploration concession at South East Sulawesi Province of the Republic of Indonesia. The Claim owners granted the Company the exclusive rights to do preliminary studies before choosing the area to be developed. If the results of the studies are favorable, the Company shall pay another US\$170,000 upon approval of the conversion of the selected areas into exploration concession. Within thirty (30) days after the Claimowners shall have obtained and delivered all government approvals, permits, extensions and licenses, the Company at its sole expense shall start geological and geophysical surveys on the mining concessions for the purpose of determining the potentials for commercial operations, development and exploitation of the above-mentioned mining concessions. In 2010, preliminary studies on the said area have started. The preliminary geologic survey on the proposed subject area indicated possible deposits. Outside and a bit far from the subject area there are many gold panners. The Company is also evaluating the peace and order situation in the area. After evaluating several factors the Company will have a better total picture on the business prospects of the gold mining project.

Several years ago our Company was invited to operate in Papua New Guinea. The prospects are interesting but we are cautious. The area is a semi-autonomous region controlled by former anti-

government rebels. Companies from China have established presence in the area and are reportedly involved in basic infrastructure projects and in mining. We will look for a strategic partner before we commit to Papua New Guinea.

## **b. Information Technology (IT) Related Business**

### **b.1. I.T. Education**

#### **b.1.a. Description**

PCC's IT learning centers in Baguio City (PCC-Baguio) and Malolos, Bulacan (PCC-Malolos) started operations in 2001. These two learning centers were accredited with Technical Education and Skills Development Authority (TESDA). The methodologies and teaching curriculum of the two learning centers were patterned after Singapore's "higher educational system for Information Technology" which was prepared by Tata Conglomerate Group (TATA) from India. PCC's educational system was drawn under the supervision of TATA and the University of Sto. Tomas (UST).

PCC-Baguio and PCC-Malolos gained accreditation to offer courses for CISCO, Microsoft, Oracle and Sun Microsystems. Relative to its accreditation with CISCO, both centers entered into a CISCO Networking Academy "Local Academy Agreement" with UST, a CISCO Regional Academy. PCC-Malolos was named one of the two best CISCO local academies in the Philippines in 2005. This agreement was not renewed after the two centers temporarily suspended their operations. The other courses offered were Web Developer, Data Developer, Server Back-End Management, Business Automation Provider, E-Commerce Programming and Network Management and Administration.

The Company's awareness of its social responsibility was shown by PCC-Malolos working in partnership with the Provincial Government of Malolos, Bulacan through its "Joint Livelihood Project" by offering its IT courses to less fortunate students from Bulacan at a much lower cost. All students who graduated under this program gained employment. Unfortunately, this program was terminated by the Bulacan government in May, 2007.

During the years that the two learning centers operated, they produced highly competent graduates who were able to land good paying jobs locally and abroad. Because of the continuous losses incurred by the two learning centers, their operations were suspended at the end of school year 2007-2008.

## **c. Technical-Vocational Education, Training and Assessment Project**

### **c.1.a Description**

In March 2008, PCC put up training facility in Pasay City focused on Applied Metals Engineering Skills requirements starting with the development of First Class welders in Submerged Metal Arc Welding (SMAW) or stick welding; Tungsten Inert Gas Welding (TIG also called Gas Tungsten Arc Welding or GTAW) for stainless steel, aluminum and other special alloys; and Gas Metal Arc Welding (GMAW) for continuous welds. In the following year after this training facility secured its accreditation with Technical Education and Skills Development Authority (TESDA) it started operating.

During 2009 there were about a hundred students under the TESDA PGMA Scholarship Program who successfully passed the independent TESDA-approved Assessor's assessment program. Most of them gained employment abroad through TESDA. About twenty one (21) of them were recommended by TESDA for employment with Negros Navigation. TESDA temporarily cut its PGMA Scholarship Program when funds were depleted. Since this was the mainstay of welding schools for sustaining their operations and PCC's marketing efforts with shipping establishments and placement agencies did not

bear fruit it was forced to suspend its operations. Management has finally decided to phase-off its Techno-Vocational Project. It has concentrated its financial resources on the development of its Indonesian mining project and will focus its efforts and resources on the more promising economic and financially lucrative Indonesian mining project.

The Group has no reported income since PCC suspended its operations in 2009.

On March 20, 2013, at the meeting of the Management Committee, wherein, all members who are also directors were present and representing majority of the members of the Board of Directors unanimously resolved and approved the dormant status of its Subsidiary (PCC) due to its non-operation since 2010 and because of the significant losses incurred by the Company.

The Parent Company has committed to continue providing financial support to (PCC) for its working capital and payment of all its debts when they fall due. Given the financial condition of PCC, the Parent Company does not demand immediate repayment of its advances.

In 2015, PCC has entertained inquiries or proposals to lease its building in Baguio City. The management is hoping to have the building rented out in 2016 and is looking at rental income of about Thirty-Five Thousand Pesos (P35,000) per month. Consequently, PCC has changed its basis of accounting from liquidation basis to going-concern basis.

In 2016, an interested party proposed to rent the building to be used as its marketing office for Thirty-Five Thousand Pesos (P35,000) per month. On March 16, 2017, at the special meeting of the Board of Directors, it was resolved that the Vice-Chairman and Vice-President, is authorized and empowered to negotiate, transact, conclude, execute and sign, for and in behalf of PCC, agreements or contracts for the lease of the property in Baguio as well as to deliver such necessary records, documents or papers pertinent to or in its implementation. It was resolved further that the same person is authorized and empowered to agree on the terms, conditions and stipulations, and the price of the lease, for the best interest of PCC. However, due to the change of marketing plans of the prospective lessee the lease agreement was not finalized. Early in 2018 and interested party made an offer to lease the building to be used as a primary school for Forty Thousand Pesos (P40,000) per month. However, the negotiation bogged down.

Despite the presence of a caretaker to prevent informal settlers to enter and use the building as their dwelling place and as additional deterrent management in 2013 decided to allow Philippine National Internal Affairs Services (PNPI-AS) to use a portion of the ground floor as its office for free. During the latter part of 2018 the PNP-IAS moved out of the property. In 2019, the management repaired and repainted the building in order to better attract potential lessees considering its good location.

In June 2020 management received a proposal from an educational institution to lease the Baguio property to set up a school for its mainstream learning and distant learning programs at Pesos: Seventy-Five Thousand (Php75,000) per month. The prospective lessee wanted a minimum of five-year lease contract. The negotiation did not prosper. In January, 2021 another interested party submitted a proposal to lease the Baguio property for its planned bed and breakfast business at Pesos: Seventy-Five Thousand (Php75,000) per month for two (2) years. Management is evaluating the proposal including some conditions proposed by the lessee in line with the short and long-term effects of the COVID-19 Pandemic on the business of the Company and the lessee. Management is confident that it can find a lessee during the year 2021, thus, making the building an income-generating asset.

The Parent Company and PCC are not holding any patent, trademark, copyright of franchise.

## GOVERNMENTAL APPROVAL, REGULATIONS AND ENVIRONMENTAL LAWS

The Parent Company and PCC are committed to follow governmental laws and regulations governing the conduct of its operations. As of the date of this report, management is not aware of any existing or probable government regulation which has or will have a great impact on the business of the Group. There is no environmental or mining law in the Philippines that significantly affects the projects of the Company at present or in the near future, since it does not have approved mining claim in the country. Since the Company is still in the pre-development and pre-exploration stage, and its mining project is located in Indonesia, no material cost is likely to be incurred as regards this matter.

## TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

The Group has not been totally dependent on any single or few suppliers of equipment and materials needed in its operations. Party related transactions of the Group is discussed in detail on pages 48-51 of the Notes to Consolidated Financial Statements.

## COMPANY OFFICE STAFF

The President and Vice President started receiving an allowance of P5,000/months in April 2019. Two (2) employees, resigned in 2019 leaving six (6) employees all under operations. Including the President and the Vice President there were eight (8) employees as of the end of 2019. Because of the COVID-19 Pandemic one (1) employee retired on August 31, 2020 leaving seven (7) employees as of December 31, 2020. Management is presently evaluating the need for hiring replacements and restructuring the work force because of the unstable economic condition and uncertainty as to when the COVID-19 Pandemic will end.

The Company's regular employees are entitled to 13<sup>th</sup> month pay, SSS, PHIC and Pag-Ibig fund benefits including medical and dental benefits and separation pay as provided for by law.

In October, 2018 the Company decided to give its employees a 14<sup>th</sup> month pay to help them cope with the unabated increase in the cost of fuel and basic necessities as a result of the TRAIN-Law. However, this was not a continuing benefit. There was no such benefit given to its employees in 2019. Except for a non-contributory retirement pay benefit computed according to the requirements of R.A. No. 7641 known as "Retirement Pay Law" there are no profit-sharing benefits, long-term benefits, share-based payments and other post-employment benefits. As regards retirement benefits the Company has applied PAS 19 (as amended-June, 2011) this is further discussed in Note 18 pages 45-47 of the Notes to Consolidated Financial Statements.

Starting September, 2020, the Company has given Two Thousand Pesos (P2,000) per month per employee as additional benefit to cover increase in living and transportation expenses. This COVID-19 related benefit is only temporary and management will discontinue granting this benefit when the business climate improves and more public transportations become available.

The Company's members of its Board and executives as well as regular employees are encouraged to attend accounting, tax and management seminars and other professional and business training programs offered by the government and private entities to enhance their skills and abilities in the performance of their assigned tasks and to be updated on policies, rules and regulations implemented by various regulatory and governing bodies at the expense of the Company. All Board Members have been attending the Corporate Governance seminars as required by SEC. The latest corporate governance seminar attended by all members of the board was the SEC-PSE Corporate Governance Forum (CG Forum) held on November 19, 2020 via Zoom Webinar.

There is no company union, consequently, there is no collective bargaining agreement.

## MAJOR RISKS

The Group does not have a Risk Management Committee which is not practicable at its current operational set up. Risk Management is the responsibility of the Board of Directors. Management has adopted sound policies and measures in order to preserve its financial assets and fully maximize effectively their usage and sees to it that these are implemented and monitored. The Annual Sustainability Report being submitted with SEC serves as guide for management in promulgating policies for risk management and evaluating the effects of the policies on the business.

Cash and cash equivalents are deposited with stable and reputable banks. Placements normally have 35-day maturities, thereby, reducing the risk of change in value. The Group is not engaged in the trading of financial assets for speculative purposes. Presently, its source of cash comes primarily from cash advances from major stockholders and the payments of major stockholders of their subscription payables. Because of the commitment given by the major stockholders to continue supporting the financial operations of the Company by paying their subscription payables even in the absence of a formal call by the Board of Directors, or extending cash advances to the Company, exposure to liquidity risk is minimized.

The Company does not have any loans or notes payable, hence, it is not exposed to the risk of changing market interest rates. Furthermore, its cash and cash equivalents have fixed interest rates. The Company maintains foreign currency accounts to defray its mining pre-development costs, and is, therefore, exposed to currency risk. The Company has no material exposure to credit risks from outsiders.

Its Financial Assets are not used for collateral or other credit enhancement.

A more detailed analysis and discussion of the Group's Financial Assets in relation to financial risks such as credit risk, liquidity risk and market risk are presented in Note 6 pages 31-34 of the Notes to the Consolidated Financial Statements.

## OTHER RISKS

The Company moved from Makati City to its current Quezon City address in the early 90's. All these years it did not experience any destructive flooding until typhoon "Ondoy" in 2009. The Company's office equipment, furniture and fixture and some office documents and accounting records were destroyed during the said flood. This kind of risk was never anticipated by management. In 2010, the Company undertook preventive measures to avoid destruction of its assets and records in case another catastrophe of that magnitude occurs. In the middle of 2011, the Company's office in Makati moved to a flood-free location. Also, the Company was able to lease additional space for its Quezon City office to house some of its records and files.

In 2015 its Makati office transferred to a much better location at Barangay Bel-Air, Makati City.

In June, 2016 the building where the Company's Makati office was situated was partially destroyed by fire. Some office files were water-damaged. The lessor finished the repair and renovation of the partially damaged building including the Company office in 2017. The following year the Company moved its office to a more spacious room in the same building at a much higher rental cost.

Management is aware of the following risks that the Company will face in the future as regards its mining project:

1. Mining metals and non-metals is essentially risky and expensive and faced with multiple problems.
2. The prices of commodities are always subject to fluctuations.
3. All governments change its heads and regulations are subject to unpredictable changes and government laws and regulatory policies and corporate governance poses hazards to plan, execute and deliver on long-term projects.
4. The global weather is unpredictable because of climate change.
5. Many governments are demanding larger and larger share of the profits. Higher taxes and rents are seen as management problems.
6. Terms of contracts may be subjected to unpredictable changes.

#### **Management's Responses and Outlook**

1. The Company's main goal is to explore for less risky exploration and exploitation minerals.
2. Shorten exploration period and look for the most economical ways to explore and conduct the latest geological and geophysical techniques to minimize risks of exploration.
3. Management will engage experts to utilize proven hedge and financial initiatives to mitigate and minimize the inherent risks of the volatility of commodities.
4. The Group is aware of the importance of community welfare and community relationship.
5. Strict observance of COVID-19 Pandemic protocols to safeguard the health and well being of its employees and adopt measures to sustain business operations.

#### **(B) Description of Properties**

As of December 31, 2020 the following are the properties of material value owned by the Group.

1. A parcel of land located at No. 1004 EDSA, Quezon City, covered by Transfer Certificate of Title No. N-307207 of the Register of Deeds of Quezon City with an area of Five Thousand (5,000), square meters, more or less, issued under the name of Imperial Resources Incorporated was acquired in 2007 with a transfer value of Four Hundred Million Pesos (P400,000,000.00) as full payment for Thirty Four Million (34,000,000) Common Class "A" shares and Forty Six Million (46,000,000) Common Class "B" shares subscribed all at Five Pesos (P5.00) per share by Mr. Oliverio G. Laperal, Sr. This property is taken up as "Investment Property". The Company is in the process of opposing a request for reinstatement of *lis pendens* annotation with the Registry of Deeds of Quezon City with Reference No. 009783-10-000001. The Company's legal consultants confirmed that as an innocent purchaser for value of the land in question, cannot be prejudiced by *lis pendens* annotation that did not appear in the predecessor title of the land at the time of the transfer. Up to the date of this report, management has not received any communication with the Registry of Deeds and the *lis pendens* annotation has not been restored. There are informal settlers in the property. This property was appraised by Cuervo Appraisers, Inc., an SEC accredited appraiser. The appraisal value of this property as of December 31, 2020 is P830,000,000.
  2. School Building – In September, 2002, the school building constructed by Phil. Cyber College Corp. (PCC) for PCC Baguio Center was finished and inaugurated. The total cost amounted to Two Million Two Hundred Thousand Pesos (P2,200,000.00).
  3. Welding machines and equipment needed for the Techno-Vocational Education Training and Assessment courses of PCC costing of about P1.4 million were acquired in 2008.
  4. Transportation Equipment - A Toyota Innova acquired in 2009 at P1,150,000.00.
- All the above-mentioned properties are not mortgaged. The Group is not aware of any lien or encumbrance on any of them.
- The Group does not have any property under lease.
5. Exploration and Evaluation Asset account consists of:
    - a. The exclusive mining rights of exploration, exploitation, development and operation of about 1,940 hectares of Mining Exploration Concession located at Buton Island, South



East Sulawesi Province, Indonesia which the Company has acquired on January 30, 2009 from PT Aspal Buton Nasional by paying a signature bonus of US \$150,000.00 or P7,090,500.00.

- b. The signature bonus amounting to P4,705,000.00 (US \$100,000.00) paid by Imperial Resources Incorporated to PT. Indominas, an Indonesian Company, for the former to acquire other mining rights in Indonesia per memorandum of agreement executed on January 17, 2010 between the said parties.
- c. In 2015, the Company spent US\$99,250.00 or P4,453,844.00 to cover the budget required for various technical and tax expenses on the CNC IUP Production Program for the coverage area of 1,722 hectares located at Waangu-Angu area.
- d. As of December 31, 2016 the accumulated cost of geophysical and geological works/studies amounted to P38,676,848.00 and the acquisition of rights to explore amounted to P11,795,500.00.
- e. There was no disbursement pertaining to the mining project in 2019 and 2020 so the amounts remain the same.

There was no material acquisition of assets by the Group during 2020. The Company has not perfected any mining claims in the Philippines.

### **(C) Legal Proceedings**

There are no legal proceedings pending or terminated during the fiscal year covered by this report, which directly or indirectly concern or pertain to Imperial Resources Incorporated and Philippine Cyber College, hence, no information similar to that required by afore-stated disclosure can be disclosed.

So far as is known to the registrant, there is no proceeding known or contemplated by government authorities or any other entity to be brought against it.

### **(D) Submission of Matters to a Vote of Security Holders**

The Company did not submit during the 4<sup>th</sup> quarter of the fiscal year covered by this report to a vote by security holders, through the solicitation of proxies.

## **PART II – SECURITIES OF THE REGISTRANT**

### **(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters**

#### **1. Market Information**

The shares of stock of Imperial Resources Incorporated (IMP) are traded in the Philippine Stock Exchange. Presented below are the quarterly market prices of the stocks of the Company in 2020 and 2019 as provided by the Research Department of the Philippine Stock-Exchange:

	<u>2020</u>	<u>1st QTR</u>	<u>2nd QTR</u>	<u>3rd QTR</u>	<u>4th QTR</u>
Common Stock	Par Value	1.00	1.00	1.00	1.00
	High	1.80	1.80	2.05	2.00
	Low	1.00	1.12	1.12	1.19
	Close	1.00	1.21	1.37	1.67

	<u>2019</u>	<u>1st QTR</u>	<u>2nd QTR</u>	<u>3rd QTR</u>	<u>4th QTR</u>
Common Stock	Par Value	1.00	1.00	1.00	1.00
	High	2.21	2.03	2.09	1.94
	Low	1.82	1.75	1.75	1.65
	Close	1.88	1.92	1.77	1.66

In 2019, the total volume of Common shares traded was 6,698,859. In 2020 the total volume traded was 2,179,154 shares. In 2020 the Common stock traded at a high of P2.05, low at P1.00 and closed at P1.67. On June 1, 2021 the Common stock traded at a high of P1.62, low at P1.55 and closed at P1.55. On June 10, 2021 the Common stock trade at a high of P1.75, low at P1.74 and closed at P1.75.

## 2. Holders

Until February 10, 2017 the Company had two (2) classes of stock; both classes were identical in all aspects, except that:

Class "A" shares may be issued and/or sold only to citizens of the Philippines or to corporations at least sixty percent (60%) of the capital stock of which is owned by citizens of the Philippines; and

Class "B" shares may be issued and/or sold to any person or corporation irrespective of citizenship. Provided, that a stockholder who is a Filipino citizen holding Common Class "B" shares is entitled at any time to convert his Common Class "B" shares to Common Class "A" shares in the manner provided in the By-Laws.

On February 10, 2017 the SEC approved the declassification of the Common Class "A" and Class "B" shares into Common Stock of at least 60% of the common shares of stock shall be issued and/or sold only to citizens of the Philippines or to Corporations at least 60% of the capital stock of which is owned by the citizen of the Philippines.

The holders of Common Stock have the right to participate and vote in the regular annual stockholders' meeting have rights to dividends and are entitled to all proprietary right in relation to their stockholdings.

(a) The approximate number of holders of Common Stock as of May 31, 2021 is 1,666. There are about 1,663 stockholders owning 100 shares or more. The following is a list of the top twenty (20) stockholders as of May 31, 2021, submitted to us by our transfer agent, Professional Stock Transfer, Inc.

**IMPERIAL RESOURCES INCORPORATED**  
**TOP TWENTY (20) STOCKHOLDERS**  
**AS OF MAY 31, 2021**

	NAME OF STOCKHOLDER	SHAREHOLDERS OF EACH CLASS	TOTAL NUMBER OF SHARES	%
1	LAPERAL, SR., OLIVERIO G. *	Common	546,552,070	83.763%
2	PCD NOMINEE CORPORATION	Common	33,228,565	5.093%
3	LMI HOLDINGS CORPORATION	Common	21,905,000	3.357%
4	MARINO OLONDRIZ Y CIA	Common	2,411,095	0.370%
5	LAPERAL, DESIDERIO L.	Common	1,670,000	0.256%
6	LAPERAL, ALEXANDRA L.	Common	1,660,000	0.254%
7	GANOTISI, FILOMENO	Common	1,630,000	0.250%
8	LAPERAL, ROSAMARIA	Common	1,626,500	0.249%
9	CONCEPCION, REGINA L.	Common	1,580,000	0.242%
	LAPERAL, JR., OLIVERIO	Common	1,580,000	0.242%
	LAPERAL, VICTORINA L. (VICTORINA HERAS)	Common	1,580,000	0.242%
10	LTC REAL ESTATE CORPORATION	Common	1,047,375	0.161%
11	BENJAMIN CO CA & CO., INC.	Common	1,009,755	0.155%
12	CHIONG & CO., INC.	Common	976,100	0.150%
13	INVESTORS SECURITIES, INC.	Common	948,750	0.145%
14	E. SANTAMARIA & CO., INC. (SP	Common	812,275	0.125%
15	ANSELMO TRINIDAD & CO., INC.	Common	797,875	0.122%
16	ANSALDO, GODINEZ & CO., INC.	Common	699,850	0.107%
17	PHILSEC INVESTMENT CORPORATION	Common	662,275	0.101%
18	DACILLO, NENITA C.	Common	638,000	0.098%
19	KUI, JOHN	Common	605,620	0.093%
20	AQUINO, ANTONIO & VELMONTE SEC.	Common	573,250	0.088%

(b) As of May 31, 2021, 99.69% are owned by Filipinos while 0.31% are owned by other nationalities.

\*The number of shares under the name of Oliverio G. Laperal, Sr. who passed on last August 26, 2018 includes 318,400 shares under RCBC TIA which is owned by him.

### 3. Dividends

The Company has never declared any dividend on any class of its common equity since its incorporation because it has not gone into commercial operations and, therefore, it does not have cash surplus earnings.

The Board of Directors of the Registrant has the unrestricted power to declare dividends out of the unrestricted earnings which shall be payable in cash, property or in stocks to all stockholders on the basis of outstanding stock held by them. Other than as are provided for in Section 43 of the Corporation Code, as exception to the retention of surplus earnings, the registrant has no agreement, stipulation or undertaking in favor of any bank, financial institution or any other entity or person, limiting its ability to pay dividends on common equity or that are likely to do so in the future.

### 4. Recent Sales of Unregistered Securities

For the year 2020, there was no sale of unregistered securities.

### Exemption from Registration Claimed:

In its Resolution No. C15, series of 1998, the Securities and Exchange Commission upon letter petition filed by Imperial Resources, Inc. requesting that the issuance to LMI Holdings Corporation of Fifteen Billion (15,000,000,000) Common Class "A" (Par value per share P0.01) shall be exempted from the registration requirements of the Revised Securities Act., the Commission granted the request considering that the said securities are to be issued exclusively to an existing stockholder out of the increase in authorized capital stock approved by the Commission on August 5, 1997, and held that the issuance thereof, is an exempt transaction based on Section 6(a) (4) of the Revised Securities Act (now Sec. 10 1(e) of the Securities Regulation Code.

### (B) Description of Registrant's Securities

#### 1. Common Stock

(a) As of December 31, 2020 presented below is the capital stock structure of the Company:

	Common Stock	
	No. of shares	Amount
Authorized Capital	<u>1,800,000,000</u>	<u>P 1,800,000,000.00</u>
Issued and Outstanding	230,643,195	230,443,195.00
Subscribed & Partially Paid	421,856,805	422,056,805.00
Total	<u>652,500,000</u>	<u>P 652,500,000.00</u>

(b) As of December 31, 2019

	Common Stock	
	No. of shares	Amount
Authorized Capital	<u>1,800,000,000</u>	<u>P 1,800,000,000.00</u>
Issued and Outstanding	230,643,195	230,643,195.00
Subscribed & Partially Paid	421,856,805	421,856,805.00
Total	<u>652,500,000</u>	<u>P 652,500,000.00</u>

A further discussion of the Company's share capital is shown in Note 20 page 52-54 of the Consolidated Financial Statements as of December 31, 2020.

(d) By provision of the Articles of Incorporation, security holders are denied of their preemptive rights. All shares of stock are entitled to equal voting rights. Likewise, all shares of stock are entitled to the distribution of dividends, either in cash or stock dividend.

2. The Company has no stock options, warrants or rights, debt securities, securities subject to redemption or call, securities other than common equity and other securities, hence, the details being asked could not be discussed nor disclosed.

## INTEGRATED ANNUAL CORPORATE GOVERNANCE

A. In relation to the implementation of the Code on Corporate Governance and the Company's duly adopted Manual on Corporate Governance, the Company is always reminded of its reportorial obligation which should be complied with by the responsible officers of the Company.

B. All material information about the Company which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

C. Disclosures are reported in the following manner:

1. For changes or updates *required* to be reported or disclosed under Section 17 of the Securities Regulation Code (SRC), the Company shall notify the Commission using *SEC Form 17-C* within five (5) calendar days from the occurrence of the reportable change to be signed by the duly authorized officer of the Company;
2. For changes or updates *not required* to be reported or disclosed under Section 17 of the Securities Regulation Code (SRC), the Company shall notify the Commission through an *advisement letter* stating the changes or updates made within five (5) days from the occurrence of the reportable change to be signed by the Corporate Secretary and Compliance Officer;
3. To facilitate the disclosure and to harmonize the corporate governance requirements of the Securities and Exchange Commission and the Philippine Stock Exchange, the Company shall submit an Integrated Annual Corporate Governance Report (I-ACGR) in the following manner:
  - a. The Company shall submit four (4) copies of a fully accomplished I-ACGR on May 30 of the following year and every year thereafter;
  - b. The I-ACGR shall cover all relevant information from January to December of the given year. At least one (1) complete copy of the I-ACGR filed with the Commission shall be duly notarized and shall bear original and manual signatures of the following required signatories: Chairman of the Board, Chief Executive Officer or President, all Independent Directors, Compliance Officer and Corporate Secretary;
  - c. The I-ACGR, with accessible links, shall be posted on the Company's website within five (5) business days from submission to the SEC;

The Company, however, is no longer required to file updates and changes on its I-ACGR within five (5) days from the occurrence of the reportorial change(s). Further, the Company is no longer required to file its Consolidated Changes in the ACGR within ten (10) days from the end of the year pursuant to SEC Memorandum Circular No. 15, Series of 2017.

D. As evaluation system and as measure of level being undertaken by the Company to fully comply with the adopted leading practices and principles on good corporate governance, the Company has resorted to the use of the Corporate Governance Self-Rating.

The Compliance Officer submits a certification concerning the commitment of the Board of Directors and the Management i.e., officers and staff of Imperial Resources Incorporated, to bind themselves to the principles and best practices contained in the Manual on Corporate Governance adopted by the Company. Thence, the Compliance Officer certifies that at a certain date, the Company has completely complied with the same without deviation, as adopted and submitted to the Securities and Exchange Commission with further certification that the Board has conducted itself with utmost honesty and integrity in the discharge of its duties, function and responsibilities.

Within the period covered by the Code on Corporate Governance, there has been no recorded or noticeable deviation from the Company's Manual on Corporate Governance. Consequently, there cannot be a disclosure of the name and position of the persons involved and the sanctions imposed on the said individual.

It is admitted that there are incompleteness or delay in compliance area as shown and explained in the Corporate Governance Self-Rating Report.

## **PART III – FINANCIAL INFORMATION**

### **A. Management's Discussion and Analysis (MD & A) or Plan of Operation**

#### **1. Plan of Operations**

##### **Mining and Asphalt**

In 2015 Mr. Eddy Surohadi of P. T. Aspal Buton and P. T. Indominas, requested funding from the Company for the various technical works, government taxes and fees, and other construction and engineering expenses to secure the necessary CNC (Clean and Clear Certificate IUP Production Program for the coverage area of 1,722 hectares located at Waangu-Angu area .

The Company remitted to Mr. Eddy Surohadi for the account of P. T. Aspal Buton and P. T. Indominas the amount of US\$99,250 in 2015. So far the Indonesian partners have not requested additional funding for whatever is needed to secure the formal approval for the exploitation concession of the above stated area.

The Indonesian partners have been offering the project to other interested entities to enter into a joint-venture agreement with the Company inasmuch as the project entails huge capital outlay. The Company is hopeful that the Indonesian partners can find a foreign investor because of the viability of the project.

The Company has been studying and evaluating a project cost study submitted by a project proponent pertaining to silica sand quarrying and processing operation. The Company is aware of the increasing demand for flat glass and glass bottles by local glass manufacturing companies like San Miguel Corporation and Asia Brewery, Inc. Prospective silica sand mine sites have been identified by the proponent. While the project cost study shows a fairly good ROI management has been evaluating, analyzing and discussing further the data used in the project cost study including the impact of the latest environmental policies, regulations and pronouncements made by various government agencies on the feasibility and sustainability of the project. Another important factor being considered by management is the peace and order situation in the prospective silica mining sites. Because of the Covid-19 pandemic management has shelved the project temporarily.

##### **Techno-Vocational Education, Training and Assessment Project**

On March 20, 2013 at the meeting of the Management Committee wherein, all members who are also directors were present and representing majority of the members of the board unanimously resolved and approved the dormancy status of PCC due to its non-operation since 2010 and because of the significant losses incurred by PCC which resulted to a capital deficiency as at December 31, 2018 and 2019 the capital deficiency was P23.5 and 23.8 respectively. As at December 31, 2020 the capital deficiency is P24.1 million.

##### **Other Business Opportunities**

In 2018 the President, Desiderio L. Laperal travelled to Europe for preliminary discussions and observation of IT-based business applications related to remote sensing of marine and land resources, land-use, and community development. President Laperal observed driver-less autonomous farm machinery, robotic steel fabrication and remote-controlled fisheries management systems. He was impressed with the Green Energy initiatives mandated by the European Union, which is meant to encourage more reliance on renewable power such as air turbines, hydro and solar. All of these applications and the downstream business opportunities are relevant to Imperial Resources.

Mr. Desiderio Laperal travelled to Europe in June 2019 to meet with potential partners and continue discussions on investment opportunities in the Philippines. On that trip he accompanied two Italian businessmen to the Philippine Consul in Milan, Italy to confer with Consul General Irene Susan Natividad and Consul Mersole Mellejor. Mr. Laperal invited the two Italian businessmen to visit Manila in 2019. The date was subsequently reset to March 2020. The Covid-19 pandemic has caused the visit to be cancelled.

The development of vaccine by various pharmaceutical companies against COVID-19 during the latter part of 2020 boosted the hopes for global economic recovery. Management plans to re-establish communications with the Italian businessmen when travel to Europe becomes safer and less stringent in order to pursue further discussions on the business opportunities initially discussed. Meantime, the Laperal family will continue to support financially the operations of the Company.

## 2. Management's Discussion and Analysis

The Company has never been into commercial operations since its incorporation. In 2008, its revenues were derived from its subsidiary's (PCC) I.T. project. In 2009 its revenues were derived from its subsidiary's techno-vocational education and training project. Since 2010, except for interest income earned unrealized gain on foreign exchange, and gain from investment revaluation (2013), no other income was reported because of the temporary suspension of PCC's Techno-Vocational Project. For several years the subsidiary (PCC) allowed the Philippine National Internal Affairs Service (Benguet) to use a portion of the building as its office for free to deter informal settlers from occupying the building. In 2018 the said agency vacated the place. The subsidiary (PCC) repaired and repainted the building during the middle part of 2019 to attract more prospective lessees. Currently the building is up for lease. The subsidiary (PCC) has been receiving offers to lease its building in Baguio City. The latest proposal received was in January, 2021. Management has been evaluating the said offers.

The yearly losses shown in its financial reports are actually administrative and pre-development and pre-exploration expenses incurred. Presented below are the consolidated financial highlights of the Company as of December 31, 2020, 2019, and 2018.

	2020	2019	2018
Statement of Loss			
Revenues	39,503,098	5,509,770	235,140,356
Administrative Expenses	6,402,911	8,112,624	7,440,754
Other Comprehensive Income (Loss)	(210,396)	149,029	98,581
Balance Sheet			
Total Current Assets	2,939,360	3,031,287	3,543,776
Non Current Assets	881,796,748	842,448,369	836,913,501
Total Assets	884,736,108	845,479,656	840,457,211
Current Liabilities	768,864	239,583	2,273,251
Non-Current Liabilities	54,431,832	48,355,794	38,949,859
Total Liabilities	55,200,696	48,595,377	41,223,110
Equity	829,535,412	796,884,279	799,234,167
Total Liabilities and Equity	884,736,108	845,479,656	840,457,277

The following are the financial soundness indicators for 2020, 2019 and 2018.

	2020	2019	2018
(i) Current/liquidity ratios:			
$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{2,939,360}{768,864} = 3.82:1$	$\frac{3,031,287}{239,583} = 12.65:1$	$\frac{3,543,776}{2,273,251} = 1.56:1$
(ii) Debt-to-equity ratios:			
$\frac{\text{Total liabilities}}{\text{Equity}}$	$\frac{55,200,696}{829,535,412} = 0.07:1$	$\frac{48,595,377}{796,884,279} = 0.06:1$	$\frac{41,223,110}{799,234,167} = 0.05:1$
(iii) Solvency ratios:			
$\frac{\text{Total liabilities}}{\text{Total assets}}$	$\frac{55,200,696}{884,736,108} = 0.06:1$	$\frac{48,595,377}{845,479,656} = 0.06:1$	$\frac{41,223,110}{840,457,277} = 0.05:1$
(iv) Asset-to-equity ratios:			
$\frac{\text{Total assets}}{\text{Equity}}$	$\frac{884,736,108}{829,535,412} = 1.07:1$	$\frac{845,479,656}{796,884,279} = 1.06:1$	$\frac{840,457,277}{799,234,167} = 1.05:1$
(v) Interest rate to coverage ratios (Earnings before interest and taxes/Interest expense):	This ratio is not applicable since the Company has no interest expense.		
(vi) Profitability ratios (Net profit after taxes/Revenues before cost of services) :			
$\frac{\text{Net profit after taxes}}{\text{Revenues}}$	$\frac{32,861,529}{39,503,098} = 0.83:1$	$\frac{(2,498,917)}{5,509,770} = (0.45):1$	$\frac{227,799,518}{235,140,356} = 0.97:1$

A separate schedule showing the financial soundness indicators is also presented in the attachments to the Notes to Consolidated Financial Statements in compliance with SRC Rule 68, as amended.

By comparing the Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income for the years 2020 and 2019, the following are the material (5% or more) changes and their causes:

### **Statements of Financial Position:**

#### **1. Cash and Cash Equivalents**

This account consists of Cash on Hand and in Banks including short-term (35-day) placements. In 2020 the cash inflow of P6.618 million came from advances from stockholders in the amount of P6.571 million, interest income earned at P3 Thousand, and collection of receivables in the amount of P7 Thousand. The cash outflow includes total administrative expenses incurred amounting to P5.68 million, and payment of retirement payables amounting to P1.006 million. In 2019 the cash advances from stockholders amounted to P9.264 million, interest income earned at P10 thousand and collection of receivables of P22 thousand or total of P9.296 million. The total cash outflow includes P7.75 million representing administrative expenses and payment of payables amount to P2.036 million.

#### **2. Trade and Other Receivables - Net**

In 2020 this amount decreased by about 52.2% or P7.5 thousand due to collection of salary loans extended to its employees. In 2019 there was a decrease of about 61% or P22 Thousand for the same reason as in 2020.



### 3. **Property and Equipment – Net**

The decrease in this amount in 2020 by about 99% or P3 Thousand represents the depreciation for the year. The decrease in 2019 by about 71% or P7.7 Thousand represents the depreciation for 2019.

### 4. **Accruals and Other Payables**

In 2020 this amount increased by about 224% or P532 Thousand because of the accrual of 2020 realty tax due on the Company's investment property. In 2019 the decrease of about 90% or P2.04 million was due primarily to the payment of the accrued realty tax due on the Company's investment property.

### 5. **Income Tax Payable**

In 2020 there is no income tax payable unlike in 2019 where there was a P2.5 Thousand income tax payable arising from unrealized gain in 2018 amounting to P126 thousand realized in 2019.

### 6. **Advances from Shareholders**

In 2020 a stockholder advanced a P6.6 Million, hence, an increase by about 15%. In 2019 a stockholder advanced P9.26 Million or a 26.8% increase over 2018 figure.

### 7. **Investment property**

The appraisal value of this property in 2020 increased by 5% or P39.5 Million. The increase in the appraisal value in 2019 over 2018 figure was not material.

## **Statements of Comprehensive Income:**

### 1. **Revenue**

The other income account consists of gain from investment revaluation, interest income and unrealized gain on foreign exchange. In 2020 the appraisal value of the investment property was P830 Million, while in 2019 it was P790.5 Million or an increase of P39.5 Million which is about 5%. In 2019 there was an increase of 0.7% or P5.5 Million from the appraised value of P785 Million in 2018. In 2020 interest income decreased by 68.3% or P7 Thousand compared to 2018 figure.

### 2. **Administrative Expenses**

#### 2.1 . **Salaries and Wages**

This account decreased by about 16% or P436 thousand because of the two-month lockdown due to COVID-19 Pandemic and the retirement of one (1) employee compared to the figure in 2019. The decrease of about 12.2% or P387 Thousand in 2019 was caused by the resignation of two employees.

#### 2.2 . **SSS, Philhealth and HDMF Contribution**

This account decreased by about 129% or P65 thousand due to the retirement of one (1) employee. There was a 28% decrease in this account in 2019 or about P20 Thousand due to the resignation of two (2) employees during the year.

#### 2.3 **Utilities**

This account decreased by about 9% or P48 Thousand because of the two-months lock-down due to the COVID-19 Pandemic. The decrease in the use of mobile phones in 2019 resulted to a decrease by about 8.2% or P49 Thousand over 2018 figure.

**2.4 Director's Fee**

The increase of about 9% or P20 Thousand in 2020 was due to the fact that there were no recorded absences by board members unlike in 2019 where there were two recorded absences by board members. The recorded absences in 2018 was three (3), hence, the increase of about 15% or P30 Thousand.

**2.5 . Retirement Benefit Expense**

In 2020 one (1) employee retired resulting to the decrease of about 41% or P145 thousand over the figure in 2019. The increase by about 6% or P21 thousand in 2019 compared to the 2018 figure was brought about by the increase in the service cost and interest expense on defined benefit obligation.

**2.6 . Taxes and Licenses**

This account decreased by about 16% or P436 thousand in 2020 because in 2019 the Company took advantage of the amnesty program implemented by the Quezon City government wherein it paid all realty taxes due on its investment property. This also caused the increase of this account by about 199% or P987 thousand compared to the figure in 2018.

**2.7 . Depreciation**

In 2020 there were office equipment that were fully depreciated causing the decrease by about 59% or P4.6 thousand. The same is true in 2019 causing the decrease of about 62% or P12.8 thousand compared to 2018 figure.

**2.8 . Insurance**

Some of the vehicles being used by the Company are already old. In 2020 the insurance premium for two (2) vehicles went down resulting to decrease of about 5% or P2.1 Thousand. In 2019 because of the age of the vehicles the former insurance agency declined to insure these vehicles so management got another insurance agency willing to insure them although at a higher rate. This gave rise to the 33% increase or P11 Thousand in 2019.

**2.9 . Repair & Maintenance**

This account includes repair and maintenance of the building owned by subsidiary (PCCC), vehicles being used by the Company officers and employees, computers, printers, xerox machine and other office equipment. In 2020 this account decreased by about 48% or P91 Thousand compared to the 2019 figure unlike in 2019 where there was no repair done on the PCC building in Baguio City. During 2019, the vehicles were in much better running condition, hence, the decrease. However, this decrease was offset by the cost of repairs and repainting of PCCC's building resulting to a net increase in the amount of P22 Thousand or 13% compared to the 2018 figure.

**2.10 . Supplies and other expenses**

This account includes computer and office supplies, advertising and printing expenses. Because of the two-month lock-down in 2020 the consumption of various supplies decreased by about 32% or P23 Thousand compared to the 2019 figure. In 2019 this account decreased by about 32.5% or P34 Thousand due to lesser consumption of computer supplies and lesser advertisement for job opening.

### **2.11 Representation and entertainment**

This account increased by 100% in 2020. There was no amount disbursed for this account in 2019 and 2018.

### **2.12 Penalties and surcharges**

In 2020 the company did not incur any penalty or surcharges unlike in 2019 where it incurred P54 Thousand penalty expenses on realty tax for years 2014 to 2019. There was none in 2018.

### **2.13 Miscellaneous expenses**

In 2020 the decrease by about 9% or P27 Thousand compared to 2019 figure was due to the miscellaneous expenses incurred in renovating the building in Baguio City in 2019. There was none of this nature in 2018.

## **Material Event/s and Uncertainties**

Other than the disclosures made in this report including those contained in the Notes to the Consolidated Financial Statements and its Subsidiary which includes some material events after balance sheet date, the Group has nothing to report on the following:

- (i) Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way, except for the impact of COVID-19 Pandemic which is discussed in page 25.
- (ii) Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of obligation. The Group is not in default or in breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments. Except for the advances made by a major stockholder the Group has no trade payables and there is no significant amount in its other payables that has not been paid within the stated terms. There is no identifiable material deficiency since the major stockholders are committed to fund the Group's operations.
- (iii) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
- (iv) Any other material commitments for capital expenditures.
- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues, income from continuing operations, except for the effect of COVID-19 Pandemic which is discussed on pages 4-5.
- (vi) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- (vii) Any seasonal aspects that had a material effect on the financial condition or results of operations except for the effect of COVID-19 Pandemic.

## Company Vision

To become a self-sustaining and profitable Company for a long period of time by providing energy and energy-related products as its contributions to enhance energy supply in the country.

### 3. Changes in and Disagreements with the Group's accountants on Accounting and Financial Disclosure

There was no disagreement with the Group's external auditors on matters relating to accounting principles or practices or financial disclosures or auditing scope or procedures during the last three (3) fiscal years.

In December, 2010, the Group engaged the services of Villaruz, Villaruz & Co., CPA's with office address at Unit 3, 9<sup>th</sup> Floor, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City to audit the financial statements of Imperial Resources Incorporated (Parent Entity) and Philippine Cyber College Corp. (Subsidiary) as at December 31, 2010. The said auditing firm audited the financial statements of the Parent Entity and its Subsidiary for the succeeding years. The Professional fees as agreed upon for the years 2020, 2019 and 2018 are presented below:

	PROFESSIONAL FEE	12% VALUE ADDED TAX	OUT OF POCKET EXPENSES	TOTAL
<b>IMPERIAL RESOURCES, INC.</b>				
2020	200,000.00	24,000.00	20,000.00	244,000.00
2019	200,000.00	24,000.00	20,000.00	244,000.00
2018	200,000.00	24,000.00	20,000.00	244,000.00
	<u>600,000.00</u>	<u>72,000.00</u>	<u>60,000.00</u>	<u>732,000.00</u>
<b>PHILIPPINE CYBER COLLEGE CORP.</b>				
2020	10,000.00	1,200.00	-	11,200.00
2019	10,000.00	1,200.00	-	11,200.00
2018	10,000.00	1,200.00	-	11,200.00
	<u>30,000.00</u>	<u>3,600.00</u>	<u>-</u>	<u>33,600.00</u>
	<u>630,000.00</u>	<u>75,600.00</u>	<u>60,000.00</u>	<u>765,600.00</u>

For the Parent Entity an out of pocket expenses equivalent to 10% of the professional fee covering travel, meals, communication, printing, etc. shall be billed separately. For the Subsidiary actual out of pocket expenses incurred in the course of audit shall be billed separately.

For the years 2010 to 2013, inclusive, the signing partner was Mrs. Normita L. Villaruz and for the years 2014 to 2018, the signing partner is Mr. George V. Villaruz. For the year 2019 and 2020, the signing partner is Mrs. Normita L. Villaruz. The Group will rotate the signing partner of its external auditors at least every five (5) years to comply with the requirements of SRC Rule 68 (3) (b) (iv).

#### EXTERNAL AUDIT FEES

1. The scope of the audit services rendered by Villaruz, Villaruz & Co., CPA's for the fiscal year 2020 and prior years is as follows:

- Audit and examination of the statement of financial position as at December 31, 2020 and the related statements of comprehensive income, statements of equity and of cash flows as of and for the year ended December 31, 2020 of Imperial Resources Incorporated and its subsidiary, Philippine Cyber College Corp.;
- Submission of the proposed auditor's adjusting journal entries and review of the draft of the audited financial statements after the posting of the approved audit adjustments as of and for the year ended December 31, 2020 to come up with the Company's audited financial statements which shall be prepared by the Company's

- accountant and which will be reviewed by Villaruz, Villaruz & Co., CPA's, in compliance with SEC Memorandum Circular No. 16 dated December 10, 2009.
- c. Review of the annual income tax return which shall be prepared by the Company accountant based on the audited financial statements for the year ended December 31, 20120

2. Aside from the above-mentioned audit services there were no other professional services rendered by Villaruz, Villaruz & Co., CPA's for the fiscal year 2020 and prior years.

(a) Under the caption "Tax Fees"

There is nothing to report under "Tax Fees" caption since the external auditors did not perform any tax accounting, compliance, advice, planning and any other form of tax services.

(b) Under the caption "All Other Fees"

There is nothing to disclose under this category since no services was rendered other than the audit services as described earlier and as provided by the external auditors.

(c) The engagement proposal for the audit of the financial statements of Imperial Resources Incorporated and its subsidiary, Philippine Cyber College Corp., was reviewed by the members of the audit committee before the approval by the management.

### **Financial Statements**

The Company's audited Financial Statements and its Subsidiary including the Consolidated Financial Statements as at December 31, 2020 and 2019, were approved and authorized for issuance by the Vice - President, Mr. Desiderio L. Laperal during the meeting of the Board of Directors held on April 14, 2021 after these were reviewed and recommended for approval by the Audit Committee on April 14, 2021. The said Financial Statements are submitted with this report and incorporated in the 2020 Annual Report to security holders to be presented to the stockholders during the annual stockholders' meeting for approval.

The Consolidated Cash Flow Statement for three (3) years, Notes to Financial Statements (Accounting Policies and Explanatory Notes), Representations as to the Audit, General Notes to Financial Statements including applicable supplementary schedules as required under Annex 68-J and 68-E of Rule 68, are also submitted with this report.

### **IMPACT OF ENHANCED (ECQ) AND MODERATE ENHANCED (MECQ) COMMUNITY QUARANTINE ON THE OPERATIONS OF THE COMPANY AND ITS SUBSIDIARY**

Immediately after the Government imposed the Enhanced Community Quarantine (ECQ) on March 15, 2020, management gave priority to the safety and well-being of its employees by temporarily stopping the operations of the Company. The quarantine entailed more expenses and difficulties for the employees to meet their daily needs and health issues. To allay the fears and anxieties of its employees facing uncertainties about their financial as well as health conditions one of the officers of the Company advanced the employees' 13<sup>th</sup> month pay and paid leave in full.

After two (2) months of lockdown on May 18, 2020 when the Modified Enhanced Community Quarantine (MECQ) was imposed the Company started operating again. The primary concern of the Company was how to keep its employees fit to work, protect them from being afflicted with the COVID-19 virus and implementing the many government-imposed restrictions and guidelines. The following actions have been taken up by the Company in line with the prescribed procedures by the government to mitigate the negative effects of the pandemic on its employees' mental well-being and physical and emotional health:

- a. The Company has been providing its personnel with shuttle service to and from work every day and for some, sleeping quarters, TV and laundry area within the office premises.
- b. Providing facial masks, face shields, isopropyl alcohol, hand sanitizers and or soap. The employees are obliged to wash/sanitize their hands more often. Alcohol and sanitizers are provided to visitors upon entering the office.
- c. Appropriate social distancing is made a protocol not only inside but outside of the work place.
- d. Communications are done mostly through electronic mail or telephone.
- e. Frequent disinfection of the work place.
- f. Company-paid mandatory Rapid test and swab test if necessary. Employees are urged to be vigilant always and to disclose their health problems or possible exposure of the virus including their families or other persons they had close contact with. Free medical check-up and testing when perceived symptoms of COVID-19 are experienced.
- g. Providing Multi-vitamins, farm-fresh organic vegetables and fruits to strengthen the immune system of the employees.
- h. Starting from September 2020 the Company has granted a temporary COVID -19 related cash benefit to all employees at Pesos: Two Thousand (P2,000) per month per employee to help them cope with the rising cost of living and transportation. This benefit will be discontinued as soon as the business condition improves and at the discretion of management.
- i. Continuous dissemination of information to the employees on how to protect themselves and their families and prevent the spread of COVID-19.
- j. Management is studying ways and means of helping its employees regarding the vaccination program against Covid-19 in relation to the policies and programs to be implemented by the government.

In July, 2020 one employee was tested positive of COVID -19. Management ordered a one-week lockdown and disinfection of the whole work area. After a month of quarantine, he recovered. Being a senior citizen, he opted to retire.

When Metro Manila shifted from MECQ to GCQ the government relaxed the guidelines for public transportation to operate, hence, more public transportation became available. However, management decided to continue providing transportation facilities to its employees to lessen their exposure to COVID-19.

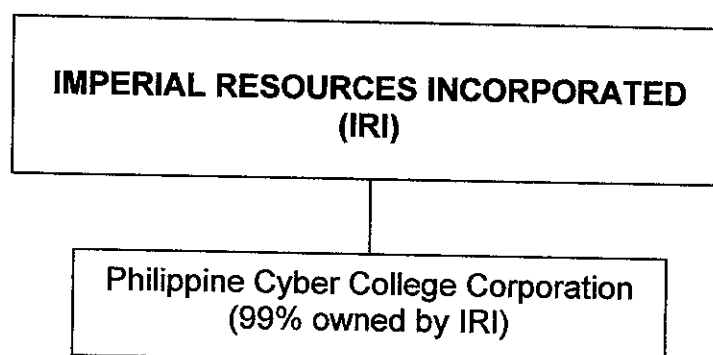
Management has been using various modes of remote communication such as teleconferencing, videoconferencing and electronic mail system. The new normal way of conducting staff meetings is videoconferencing. All the meetings of the Board of Directors including the annual stockholders' meeting in 2020 were held through videoconferencing. All the members of the Board attended the PSE-SEC Corporate Governance Forum on July 10, 2020 to keep abreast of the effects of the COVID-19 Pandemic on the national economy and the people, risk management strategies, pursuit of corporate sustainability based on experiences from the pandemic and SEC regulatory updates. The members of the Board were enlightened about the importance of the sustainability reporting in mitigating various risks.

After studying, evaluating, and analyzing the Company's current office and work set-up and the nature of the work of the employees, management concluded that work-from-home mode of work is difficult to adopt. Employees lack computer equipment, inadequate internet connections at their homes, their home conditions are not suited for home-based work are some reasons why work-from- home

cannot be adopted. The plan of management to adopt skeletal force to minimize cost was shelved because of limited manpower specially so that one employee retired.

This COVID-19 Pandemic has greatly affected the human and financial resources of the Company. The Company's survival has been a pressing and challenging issue. Despite the economic and health benefits management has been extending its employees they still experience anxiety, lack of focus and concentration, fear for the health of their families, frequent absences, uncertainty of the future resulting to a below-par performance in discharging their duties and responsibilities. The administrative costs for the year 2020 went up due to the transportation and gasoline expenses incurred in transporting its employees and use of vehicles for messengerial activities. The medical and dental expenses of the employees also increased due to the mandatory rapid and swab testing and more frequent medical check-ups. Office and other supplies increased due to the COVID-19 related supplies purchased. Business opportunities in 2020 have not been actively pursued. Preliminary talks were either postponed or cancelled. Formal offers to lease the Subsidiary's property in Baguio were received. One offer was to lease for educational purposes but did not materialize because of the changing educational policies and programs by the government. Currently, management is evaluating the latest offer to lease said property. Management is optimistic that it can lease the property in 2021.

# **MAP OF THE CONGLOMERATE OR GROUP OF COMPANIES WITHIN WHICH THE REPORTING ENTITY BELONGS**



## **PART V - EXHIBITS AND SCHEDULES**

### **Exhibits and Reports**

#### **(a) EXHIBITS**

"A" - Management Report

"B" - Cases where Mr. Oliverio L. Laperal, Jr. and Mr. Desiderio L. Laperal represented the Corporation as parties-litigants

"C" - Resume of Board of Directors and Officers

"D" - 17-Q Quarterly Report as of March 31, 2021

"E" - 2020 Audited Consolidated Financial Statements

"F" - Certification of Independent Directors

#### **(b) MATTERS DISCLOSED FOR THE LAST 6 MONTHS**

The Corporate Secretary of the Registrant Corporation has disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange, the following material matters for the last six (6) months:

##### **A. September 03, 2020**

The regular annual meeting of the stockholders of Imperial Resources Incorporated was held today, September 03, 2020, conducted through personal appearance/attendance and the mode of videoconferencing (google zoom platform) at Events Place, Unit 206 2nd Floor, Villa Building, No. 78 Jupiter Street, Bel-Air, Makati City, Metro Manila.

Upon call to order by the Chairman, the Corporate Secretary was made to report on the proof of notice of the meeting.

The Corporate Secretary then reported that copies of the Definitive Information Statement (SEC FORM 20-IS) containing the written notice of the Annual Stockholders' Meeting of Imperial Resources Incorporated set for September 03, 2020, together with the Agenda of the meeting, were sent by remote communication facility, postal mail and messengerial services under his personal supervision, beginning on August 11, 2020, to all stockholders of record of Imperial Resources Incorporated at their respective postal and electronic mail (e-mail) addresses as shown in the books of the corporation.

The notice of the annual meeting was likewise published in the August 11, 2020 issue of the Philippine Star and August 12, 2020 issue of the Manila Bulletin.

The Securities and Exchange Commission and the Philippine Stock Exchange were notified of the meeting and furnished with copies of the notice of the Annual Stockholders' Meeting and Agenda of the meeting, all contained in SEC FORM 20-IS on August 06, 2020 through electronic mail (e-mail) and August 10, 2020 stamp received by Securities and Exchange Commission.

The transfer agent of the company Professional Stock Transfer, Inc. was notified of the Annual Stockholders' Meeting on August 07, 2020 thru email and the Auditor, Villaruz, Villaruz & Co., CPAs was notified also of the Annual Stockholders' Meeting on August 10, 2020 through electronic mail (e-mail).



The Corporate Secretary concluded that all requirements of the law and the by-laws of the corporation concerning the giving of notices of the regular annual stockholders' meeting to all stockholders of record entitled to vote and other agencies of the government have been complied with.

The Chairman then proceeded to the next item on the agenda which was the Declaration of Quorum.

The Corporate Secretary further reported that the books of Imperial Resources Incorporated show that as of the record date on July 21, 2020, the total number of shares outstanding and entitled to vote in the annual stockholders' meeting is Six Hundred Fifty-Two Million Five Hundred Thousand (652,500,000) Common Shares, with the par value of One Peso (Php1.00) per share. Of said number of shares Twenty-Six Million Seven Hundred Forty-Eight Thousand Three Hundred Seventy-Five (26,748,375) shares were present in person and those represented by holders of Special Power of Attorney and of unsolicited proxies.

Thus the number of shares present in person and by holders of Special Power of Attorney and of unsolicited proxies in the meeting is Four point Zero Nine Nine Fourth percent (4.0994%) percent of the subscribed and outstanding capital stock entitled to vote.

The Corporate Secretary then reported that *no quorum* was reached in the meeting.

Upon motion and duly seconded, the annual stockholders' meeting was adjourned sine die.

The members of the Board of Directors retain their position/office on hold over basis owing the declaration of no quorum. The majority and substantial shares of the outstanding capital stock of Imperial Resources Incorporated, under the name of deceased Mr. Oliverio G. Laperal, Sr., remain pending for probate proceedings and without an executor/administrator being appointed as yet.

- B. List of Top 100 Stockholders (Quarterly Report-PSE/SEC)
- C. Public Ownership Report (Quarterly Report-PSE/SEC)
- D. Report on Number of Shareholders (Monthly Report-PSE/SEC)
- E. Foreign Ownership Report (Monthly Report-PSE/SEC)
- F. September 30, 2020 - 2020 General Information Sheet (SEC/PSE)
- G. Quarterly Report (17-Q -PSE/SEC)

The principles governing good Corporate Governance shall be adopted as stated in the manual and circular of the Securities and Exchange Commission.

The foregoing matters form part of our disclosure of what may be considered as material information which may affect the value and trading of securities of Imperial Resources Incorporated.

## UNDERTAKING

Upon the written request of a stockholder, the Company undertakes to furnish said stockholder a copy of SEC Form 17-A free of charge. Such written request should be directed to the Office of the Corporate Secretary, Atty. Jesus Vicente B. Capellan with address at Unit 202 Villa Building, No. 78 Jupiter Street, Bel-Air, Makati City, Metro Manila or to 82-J 4<sup>th</sup> Street, Mariana, New Manila, Quezon City.

**IMPERIAL RESOURCES, INCORPORATED**  
Issuer

**JESUS VICENTE B. CAPELLAN**  
Corporate Secretary

## ANNEX "B"

### I. ITEM

**CASES WHERE MR. OLIVERIO L. LAPERAL, JR., MR. DESIDERIO L. LAPERAL AND ATTY. JESUS VICENTE B. CAPELLAN ARE NAMED PARTY-LITIGANTS.**

<b>Case Title</b>	<b>Spouses Emilio &amp; Cresencia Valdez, et al. vs. Spouses Oliverio G. Laperal and Emma L. Laperal, et al. Docketed as Civil Case No. 5236-R Regional Trial Court, Branch 61 Baguio City</b>
<b>Date Filed</b>	May 10, 2002
<b>Nature of the Action</b>	This a case was filed by the Valdez' against the Laperals, et al. for annulment of documents and recovery of possession with damages
<b>Status</b>	<p>Said case was dismissed against Spouses Oliverio G. Laperal and Emma L. Laperal and Philippine Cyber College Corp., in a resolution dated April 8, 2011. But the plaintiffs appealed to the Court of Appeals which reversed the order of dismissal by the RTC and directed that the case be tried on the merits. From the adverse order, defendants filed a petition for review on certiorari before the Supreme Court. Said Court, however, affirmed the findings of the Court of Appeals. Hence, the case is pending trial on the merits before the Regional Trial Court.</p> <p>By the death of Oliverio G. Laperal, Sr. on August 26, 2018 and Emma L. Laperal on December 1, 2003, they are now substituted by their legitimate children, namely: Victorina L. Laperal, Oliverio L. Laperal, Jr., Rosamaria L. Laperal, Regina Laperal-Concepcion, Desiderio L. Laperal, and Alexandra Laperal-Aquino.</p>
<b>Case Title</b>	<b>Victorina L. Laperal, et al., vs. Filipinas Golf &amp; Country Club, Inc., et al. Docketed as Civil Case No. Q-09-221 Regional Trial Court, Branch 93 Quezon City, Metro Manila</b>
<b>Status</b>	<p>This is a civil case filed by Victorina L. Laperal, Rosamaria L. Laperal, Regina L. Concepcion and Alexandra L. Laperal (the "plaintiffs") against the Company on July 15, 2009, asking the court to order the Company to issue their respective proprietary membership certificates.</p> <p>On September 7, 2009, Oliverio G. Laperal, Sr. ("Laperal Sr.") filed a motion for leave to admit his complaint-in-intervention with the attached complaint-in-intervention against the plaintiffs. He asserted his real and beneficial ownership over the proprietary membership certificates claimed by the plaintiffs and thus, prayed that the court must dismiss the case for lack of cause of action. On September 7,</p>

2009, the Company filed its verified answer to the complaint. The plaintiffs then filed their reply to the answer on October 08, 2009.

On January 11, 2010 the parties filed a joint motion to suspend the proceedings for a period of one hundred twenty (120) days to give them ample opportunity to discuss the possibility of an amicable settlement. Thereafter, the scheduled hearings of the case have been reset given the parties' joint manifestations that they are still finalizing the terms of the settlement.

From May 28, 2013 until July 18, 2013, the parties underwent mediation proceedings.

On November 26, 2013, the court issued an order directing the parties to submit their Pre-Trial Briefs and the judicial affidavits of their witnesses. The Pre-Trial Brief was due on January 29, 2014.

On January 27, 2014, the parties filed a Joint Motion to Suspend Submission of Pre-Trial Briefs and Judicial Affidavits for the reason that they are very close to concluding an amicable settlement of the case. The request for suspension was granted in open court on January 29, 2014.

Since then, the case has been set for Judicial Dispute Resolution ("JDR") several times, but these JDR sessions have been cancelled and reset to provide the parties the opportunity for an amicable settlement.

However, on September 23, 2020, the court issued an order remanding the case for appropriate action in view of the amendments introduced by A.M. No. 19-10-20-SC, particularly the Rules on Pre-Trial vis-à-vis JDR Conference.

Thus, on October 5, 2020, the court issued an order setting the case for Pre-Trial Conference on December 1, 2020, and requiring the parties to appear before the Branch Clerk of Court for Preliminary Conference on November 19, 2020.

On November 18, 2020 the parties filed an Urgent Joint Manifestation and Motion to Suspend the Proceedings ("Motion to Suspend"). The parties manifested that intervenor Laperal Sr. passed away on August 26, 2018, and that the Regional Trial Court of Makati, before which the intervenor's Last Will and Testament is being probated, has yet to issue letters testamentary in favor of defendant Desiderio L. Laperal ("defendant Laperal") as executor of the Last Will and Testament of intervenor Laperal Sr. Thus, defendant Laperal is not yet authorized to act on behalf of the estate of the deceased intervenor and to file the requisite pleadings on behalf of the intervenor for the preliminary conference. The parties also asked the court to cancel the preliminary conference, cancel the pre-trial conference, and to suspend the proceedings for a period of

ninety (90) days as they are actively involved in negotiations for an amicable resolution of this and several other cases pending between them and the courts, and are earnestly seeking a global settlement.

The parties attended the Preliminary Conference on November 19, 2020, and manifested that they filed the Motion to Suspend. The preliminary conference did not push through because of the pendency of the Motion to Suspend. The Branch Clerk instead directed the parties to attend the scheduled pre-trial conference on December 1, 2020, where the Motion to Suspend will be heard.

The parties went to court on December 1, 2020, but the hearing that day was cancelled because the judge was unavailable. The parties were told by the court that the hearing would be reset to a later date. The court has yet to issue any order identifying the new hearing date.

## ANNEX "C"

### RESUME OF DIRECTORS AND OFFICERS

#### 1. Directors and Officers

##### **HORACIO M. PASCUAL, 88**

##### **IMPERIAL RESOURCES INCORPORATED EDUCATIONAL ATTAINMENT:**

1950

1952

1964

1979

- Chairman of the Board (July 19, 2018 to present)
- St. Williams College- Association in Arts (Pre-Law)
- National University – Bachelor of Science in Education
- Manuel L. Quezon University – Bachelor of Law
- NDCP – Master of National Security Administration (MNSA)
- PUP - Doctor of Public Administration (earned 21 units)
- Director
- Partner
- Partner
- Director
- Director
- Presidential Economic Staff
- Administrative Assistant
- President
- Director

##### **OTHER BUSINESS EXPERIENCE:**

Filipinas Golf & Country Club, Inc.  
H.M. Pascual Law Office  
Acsay Pascual And Associates Law Office  
Legal and Policy Research Department &  
Enterprises Operations Department  
Export Processing Zone Authority  
Chief Policy Research Officer  
Program Implementation Agency  
Xavierville Homeowner' Association

##### **AFFILIATIONS AND MEMBERSHIPS:**

Integrated Bar of the Philippines, Isabela  
American Society of International Law, U.S.A  
International Society for the Study of Comparative Public Law, U.S.A.  
Philippine Association of Technical Assistance Participants, Manila  
ELM Association of the Philippines, Inc., Manila

##### **DESIDERIO L. LAPERAL, 66**

##### **IMPERIAL RESOURCES INCORPORATED**

- President/CEO (July 14, 2016 to July 13, 2017)  
(July 19, 2018 to July 11, 2019)
- Vice-President/Chief Financial Officer (July 13, 2017 to July 11, 2019) Vice-President (1996 to July 2016)(July 13, 2017 – July 18, 2018)
- Treasurer (1996 to July, 2016)
- Director (1977-1981;1996 to present)

**EDUCATIONAL ATTAINMENT:**

1965 - 1971

1971 - 1973

1973 - 1978

- Elementary – La Salle, Mandaluyong City
- Institute Le Rosey, Switzerland – High School
- B. S. Finance -University of Santa Clara, USA

**OTHER BUSINESS EXPERIENCE:**

Pacifica, Inc.

Filipinas Golf & Country Club, Inc.

Philippine Cyber College Corp.  
LMI Holdings Corporation  
Laperal Realty Corporation  
Rockway Real Estate Corporation  
LTC Real Estate Corporation  
Keystone Agricultural Ventures, Inc.  
Imperial Development Corporation  
Phil. Hybrid Seeds, Inc.  
Phil. Agro-Research Corporation

- Vice-President/Treasurer (1996 to July 1997)
- Vice-President (1976 to 1981)
- Director (1978 to August 2010)
- Senior Vice-President (1991 to 2000)
- Vice-President (1990 to 2000)
- Director (1979 to present)
- President (2001 to 2014)
- Vice-President/Treasurer (2000 to present)
- Vice-President/Treasurer (1997 to present)
- Vice-President/Treasurer (1985 to present)
- Vice-President (1982 to present)
- Vice-President /Treasurer (1982 to present)
- President (1982 to present)
- Vice-President /Treasurer (1985 to present)
- Vice-President (1980 to present)
- President (1980 to present)

**AFFILIATIONS AND MEMBERSHIPS:**

Rotary Club of Makati-Ayala

- Charter Member (1983 to present)

**OLIVERIO L. LAPERAL, JR. 71**

**IMPERIAL RESOURCES INCORPORATED**

- President/Chief Executive Officer (July 13, 2017 to July 18, 2018, July 11, 2019)
- Vice – President /Chief Financial Officer/ Treasurer (July 14, 2016 to July 13, 2017, July 19, 2018 to July 19, 2018)
- Director (March 28, 2016 to present)

**EDUCATIONAL ATTAINMENT:**

1968 – 1969

1969 - 1973

1973 - 1975

- De La Salle University (Mla.) School of Engineering
- Cornell University (NY, USA) BS. Honors
- Cornell University (NY, USA) MBA

**OTHER BUSINESS EXPERIENCE:**

Statler Hotel, New York, USA  
Chemical Bank of New York, Wall St, USA

- Front Desk Manager. 1974-1975
- Assistant Manager. 1975

Holiday Inn. Vancouver BC, Canada  
Pioneer Savings & Loan. Manila  
Pacific Shores Capital Dev Corp.  
R. S Video & Film Productions  
Filipinas Golf & Country Club, Inc.

- Assistant Manager. 1975
- Director & VP for Marketing. 1975-1980
- Exec VP. 1975-1980
- President & Managing Dir. 1980- present
- Co-President/Managing Dir. 1975-1980. 2016- present

#### **AFFILIATIONS AND MEMBERSHIPS:**

Society of Motion Picture and Television Engineers (SMPTE), New York, USA  
National Association of Broadcasters. Washington, DC, USA  
Adverting Suppliers Association of the Phils.  
Commercial Production House Group  
Rotary Club of Makati West  
Phil. Practical Shooting Asso. Phil National Team.  
Waterski Asso. of the Philippines. Phil National Team. Southeast Asian record holder.  
Manila Polo Club.  
Alabang Country Club  
Subic Bay Yacht Club  
Tagaytay Highlands & Midlands.  
Licensed Pilot. Instrument Rated. Philippines & USA. Licensed drone commercial pilot.

#### **VILMA B. VILLANUEVA, 78**

##### **IMPERIAL RESOURCES INCORPORATED**

- Comptroller (2001 to present)
- Chief Accounting Officer (2001 to present)
- Assistant Treasurer (1974 to present)
- Director (1994 to present)

#### **EDUCATIONAL ATTAINMENT:**

1948 - 1954  
1954 - 1958  
1958 - 1962  
1969 - 1971

- Mangatarem Elementary School
- Mangatarem High School
- University of the East – BBA (Accounting) CPA
- Letran College – MBA (Undergraduate)

#### **OTHER BUSINESS EXPERIENCE:**

Pacifica, Inc.

- Director (1994 to July 1997)
- Treasurer (1977 to July 1997)
- Director (1990 to 1996)
- Asst. Corporate Secretary & Asst. Treasurer (1979 to 1996)

Liberty Mines, Inc.

- Comptroller/Chief Accounting Officer (May 2008 to present)
- Director (1989 to present)
- Assistant Secretary (1990 to 1994)
- Treasurer (1995 to April 2008)
- Assistant Treasurer (1986 to present)
- Director (2000 to present)

Filipinas Golf & Country Club, Inc.

Imperial Development Corporation  
Keystone Agricultural Ventures, Inc.



**GENELITA G. MANANDIC, 58**

**IMPERIAL RESOURCES INCORPORATED** - Independent Director (June 10, 2010 to present)

**EDUCATIONAL ATTAINMENT:**

- |             |  |
|-------------|--|
| 1970 - 1976 | - Balanga Elementary School                  |
| 1976 - 1980 | - Tomas Del Rosario Academy                  |
| 1981 - 1986 | - Civil Engineering - University of the East |

**OTHER BUSINESS EXPERIENCE:**

- |  |                                       |
|--|---------------------------------------|
| Filipinas Golf and Country Club, Inc.        | - Director (April 2010 to present)    |
| COCOLIFE                                     | - Life Underwriter (1991 to 1992)     |
|  | - Agency Manager (1992 to 1995)       |
| Everlasting Memorial Park                    | - Marketing Manager (1995 to 1996)    |
| Subic Bay Waterfront Development Corporation | - Group Manager (1996 to 1999)        |
| Thocaris One Inc.                            | - Partners (1990 to date)             |
| Matthews Cremation Division                  | - Phil. Representative (1990 to date) |
| Fruit and Veggie Friends Club, Inc.          | - Founder, Lecturer (1994 to date)    |

**ANTHONY NELSON G. MENDOZA, 78**

**IMPERIAL RESOURCES INCORPORATED** - Independent Director (April 21, 2010 to present)

**EDUCATIONAL ATTAINMENT:**

- |             |   |
|-------------|---|
| 1971 - 1973 | - De La Salle University – MBA                          |
| 1965 - 1968 | - Loyola House, Ateneo Manila – Theology                |
| 1961 - 1965 | - San Jose Seminary, Ateneo Manila                      |
|             | - AB Philosophy, Cum Laude                              |
| 1959 - 1961 | - San Jose Seminary, CDO – AA Humanities, Valedictorian |
| 1955 - 1959 | - High School – Honor Class – ICC, Ozamis               |
| 1949 – 1955 | - Elementary  |

**OTHER BUSINESS EXPERIENCE:**

- |   |   |
|---|---|
| Blessed Entrepreneurial Agribusiness Dev't. Corp. | - President / CEO (2007 to present)       |
| Bless Tahanan Corporation                         | - President / CEO (2006 to present)       |
| Bless Microfinance Corporation                    | - President / CEO (1998 to present)       |
| San Miguel Corporation                            | - Sales Service Manager (1987 to 1996)    |
|   | - Senior Staff Logistics (1985 to 1987)   |
|   | - Planning Manager (B-Meg) (1983 to 1985) |
|   | - OD Consultant (1979 to 1981)            |
|   | - OD Adviser (1981)                       |
| Brunei Shell Petroleum                            | - Management Consultant (1973 to 1978)    |
| Economic Development Foundation                   | - Member (1981)                           |
| Rotary Club of Kuala Belait Brunei                | - President (1989 to 1990)                |
| Kiwanis Club of Metropolis Quezon City            |   |

Fraternitas  
Rotary Club of Palanyag Paranaque  
Rotary Club of Alabang

- President (1994 to 1999)
- President (2004 to 2006)
- President Elect / VP (2008 to 2009)

## **JESUS VICENTE B. CAPELLAN, 54**

**IMPERIAL RESOURCES INCORPORATED** - Corporate Secretary/Director (Feb. 28, 2014 to present)

### **EDUCATIONAL ATTAINMENT:**

1973 - 1980

1980 - 1984

1984 - 1985

1985 - 1988

1988 - 1993

- Elementary – Saint Ferdinand College
- High School – San Jacinto Seminary
- San Pablo Seminary - Bachelor of Arts in Philosophy
- University of Santo Tomas – Bachelor of Arts in Philosophy
- Post Graduate - University of Santo Tomas – Bachelors of Laws

### **OTHER BUSINESS EXPERIENCE:**

Filipinas Golf & Country Club, Inc.

LTC Real Estate Corporation  
Philippine Cyber College Corp.  
Imperial Development Corporation

Keystone Agricultural Ventures, Inc.  
Laperal Realty Corporation

LMI Holdings Corporation  
San Beda College Alabang, School of Law  
The Firm of Sarmiento Delson & Resurreccion  
Alternative Dispute Resolution (ADR)  
Manila Bulletin Corporation  
Ateneo De Manila University (Loyola)  
De La Salle (Greenhills)  
National Center for Mediation  
Philippine Institute of Arbitrators, Inc.

- Corporate Secretary/Director (Feb. 28, 2014 to present)
- Corporate Secretary
- Corporate Secretary
- Corporate Secretary
- Corporate Secretary
- Trial Lawyer
- Corporate Secretary
- Corporate Secretary
- Trial Lawyer
- Corporate Secretary
- Faculty/Consultant
- Of Counsel
- Apprentice
- Trial Lawyer/Consultant
- Trial Lawyer
- Trial Lawyer
- Asst. Vice-President
- Member

### **AFFILIATIONS AND MEMBERSHIPS:**

President, UST AB Pax Romana (Social Action Center) (1986-1988)  
Treasurer, UST AB Philosophy Council (1986-1988)  
Member, UST AB Legion of Mary (1986-1988)  
Member, Knights of Columbus, Council No. 7884  
(UST College Council) (1987-Present)

## COVER SHEET

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S.E.C. Registration Number

I	M	P	E	R	I	A	L		R	E	S	O	U	R	C	E	S	,	I	N	C	.							

(Company's Full Name)

8	2	-	J		4	T	H		S	T	R	E	E	T		N	E	W		M	A	N	I	L	A			
Q	U	E	Z	O	N		C	I	T	Y																		

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

**JESUS VICENTE B. CAPELLAN**

Contact Person

**831-4719 / 724-2986**

Company Telephone Number

1	2		3	1
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Month Day  
Fiscal Year

**SEC FORM 17-Q**  
**Quarterly Report as of March 31, 2021**

Form Type

0	7		
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Month Day  
Annual Meeting

Secondary License Type, If Applicable

**C G F D**

Dept. Requiring this Doc.

Amended Articles Number/Section

**1 6 7 0**

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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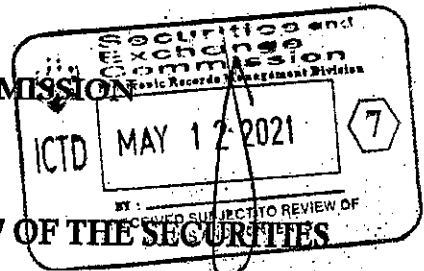
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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q



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

1. For the quarterly period ended: March 31, 2021
2. Commission identification number: 39243 3. BIR Tax Identification No.: 000-463-670

**IMPERIAL RESOURCES, INC.**

4. Exact name of issuer as specified in its charter

**Metro Manila, Philippines**

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: XXXXXXXXXX (SEC Use Only)

**Unit 202 Villa Building, No. 78 Jupiter Street corner Makati Avenue, Barangay Bel-Air,  
Makati City 1200**

7. Address of issuer's principal office Postal Code

**(632) 724-2986**

8. Issuer's telephone number, including area code

**82-J 4<sup>th</sup> Street, New Manila, Quezon City**

9. Former name, former address and former fiscal year, if changed since last report

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

Title of each Class

Number of shares of common  
stock outstanding and amount  
of debt outstanding

Common Voting Shares – P1.00 par value  
652,500,000 Million Voting Shares

652,500,000 Million Voting Shares

**There are no debt securities**

Amount of Debt Outstanding – 56,302,109

One Hundred Fifty Million (150,000,000) Common voting shares are exempted from registration

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

Yes ☒

No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Voting shares

There are One Hundred Million (100,000,000) Common Voting shares listed in the Philippine Stock Exchange, One Hundred Fifty Million (150,000,000) Common Voting shares are being readied for listing application.

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)

Yes ☒

No ☐

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

Yes ☒

No ☐

## **PART I – FINANCIAL INFORMATION**

### **Item 1. FINANCIAL STATEMENTS**

1. The Financial Statements are as follows:

- a) Consolidated Statements of Financial Position as of March 31, 2021 (Unaudited) and December 31, 2020 (Audited).
- b) Unaudited Consolidated Statements of Changes in Equity for the Quarters Ended March 31, 2021 and 2020.
- c) Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended March 31, 2021 and 2020.
- d) Unaudited Consolidated Statements of Cash Flows for the Quarters Ended March 31, 2021 and 2020.
- e) Aging of Accounts Receivable as of March 31, 2021.

### **Item 2. ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

During the first quarter of 2021, per data provided by the Philippine Stock Exchange, Parent Entity (IMP) shares traded at a high of P2.50, low at P1.45 and closed at P1.70. The total volume of shares traded during the quarter was 8,310,000 shares. On the other hand during the first quarter of 2020 the shares of stocks traded at a high of P1.53, low of P1.00 and closed at P1.00 with a volume of 332,400 shares.

The Company received cash advances during the quarter covered by this report from a stockholder amounting to P1.29 million which funded the administrative expenses during the said period amounting to P1.43 million.

During this quarter the income earned came from interest income earned by the Parent Entity was very minimal.

The Group during the first quarter of 2021 did not dispose any asset of material amount nor does it plan to do it in the near future. It has not budgeted nor committed any substantial amount for material or capital expenditures for the coming quarters.

Because of the uncertainties, difficulties, challenges, changing government economic policies, and environmental and mining laws posed by the COVID-19 pandemic, on-going projects discussions and negotiations regarding business prospects have been suspended. The Laperal family and LTC Real Estate Corporation are committed to support and fund the operations of the Company.

On May 18, 2020 when the Modified Enhanced Community Quarantine (MECQ) was imposed the Company started operating again. The primary concern of the Company was how to keep its employees fit to work, protect them from being afflicted with the COVID-19 virus and implementing the many government-imposed restrictions and guidelines.

The following actions were taken up by the Company in line with the prescribed procedures by the government to mitigate the negative effects of the pandemic on its employees' mental well-being and physical and emotional health and continues to do up to the date of this report.

- a. The Company has been providing its personnel with shuttle service to and from work every day and for some, sleeping quarters, TV and laundry area within the office premises.
- b. Providing facial masks, face shields, isopropyl alcohol, hand sanitizers and or soap. The employees are obliged to wash/sanitize their hands more often. Alcohol and sanitizers are provided to visitors upon entering the office.
- c. Appropriate social distancing is made a protocol not only inside but outside of the work place.
- d. Communications are done mostly through electronic mail or telephone.
- e. Frequent disinfection of the work place.
- f. Company-paid mandatory Rapid test and swab test if necessary. Employees are urged to be vigilant always and to disclose their health problems or possible exposure of the virus including their families of other persons they had close contact with. Free medical check-up and testing when perceived symptoms of COVID-19 are experienced.
- g. Providing Multi-vitamins, farm-fresh organic vegetables and fruits to strengthen the immune system of the employees.
- h. Starting in September 2020 the Company has granted a temporary COVID-19 related cash benefit to all employees at Pesos: Two Thousand (P2,000) per month per employee to help the cope with the rising cost of living and transportation. This benefit will be discontinued as soon as the business condition improves and at the discretion of management.
- i. Continuous dissemination of information to the employees on how to protect themselves and their families and prevent the spread of COVID-19.
- j. Management is studying ways and means of helping its employees regarding the vaccination program against Covid-19 in relation to the policies and programs to be implemented by the government.

After studying, evaluating, and analyzing the Company's current office and work set-up and the nature of the work of the employees, management concluded that work-from-home mode of work is difficult to adopt. Employees lack computer equipment, inadequate internet connections at their homes, their home conditions are not suited for home-based work are some reasons why work-from-home cannot be adopted. The plan of management to adopt skeletal force to minimize cost was shelved because of limited manpower specially so that one employee retired.

This COVID-19 pandemic has greatly affected the human and financial resources of the Company. The Company's survival has been a pressing and challenging issue. Despite the economic and health benefits management has been extending its employees they still experience anxiety, lack of focus and concentration, fear for the health of their families, frequent absences, uncertainty of the future resulting to a below-par performance in discharging their duties and responsibilities.

Formal offers to lease the Subsidiary's property in Baguio were received. One offer was to lease for educational purposes but did not materialize because of the changing educational policies and programs by the government. Currently, management is evaluating the latest offer to lease property it received in January, 2021. Management is optimistic that it can lease the property in 2021.

Material changes (five percent (5%) or more) in the accounts under the unaudited consolidated statements of financial position as at March 31, 2021 compared with the figures appearing in the audited consolidated statements of financial position as at December 31, 2020 including the reasons for such changes are presented below:

**1. Cash and Cash Equivalent**

This account decreased by about 10.4% or P302 thousand during this first quarter of 2021 because as shown in the cash flow statement the total cash advance received from a stockholder was P1.29 million while the net cash used in operation was P1.592.

**2. Other Receivables**

There was a decrease by 100% because of the collection of receivables in full during the first quarter of 2021.

**3. Prepayments**

There was a decrease of about 53% or P13 thousand because some of accounts were expensed during the first quarter of 2021.

**4. Accruals and other payables —**

The decrease of about 24% or P185 thousand was the result of the payment of accrued expenses during the first quarter of 2021.

Discussed below are the material changes (five per cent (5%) or more) in the accounts under the Consolidated Statements of Comprehensive Income for the first quarter of 2021 in comparison with the same period in 2020 including the causes of such changes:

**A. Income Account**

**1. Interest Income**

This account decreased during the first quarter of 2021 by about 82% or P982 because of lower interest rates compared with the rates during the first quarter of 2020.

## **B. Administrative Expenses Accounts**

### **1. Salaries & Wages -**

The lockdown due to Covid-19 pandemic started on March 15, 2020. The Company adopted the "No work, No pay" policy. During the same period in 2021 the Company was operational. This is the reason why during the first quarter of 2021 the figure for this account increased by 12% or P63 thousand over the figure in 2020.

### **2. Utilities -**

There was an increase of about 24% or P21 thousand in the first quarter of 2021 compared to the figure for the same period in 2020 because of the temporary shut-down of the Company operations due to COVID-19 pandemic on March 15-31, 2020.

### **3. Rental -**

There was an increase by about 52% or P72 thousand during the first quarter of 2021 because rental fees were paid on time unlike in the same period in 2020, because of the temporary suspension of the operations of the Company. The office rentals for the month of March 2020 were paid in the next quarter.

### **4. Repairs and Maintenance -**

A decrease in this account by about 40% or P8 thousand compared with the figure for the first quarter of 2020 was due to the fact that the vehicles being used by the company were in a better running condition than in 2020.

### **5. Travel and Transportation-**

This account includes gasoline and oil expense for company vehicle and motorcycle for the messengers. This account decreased during the first quarter of 2021 compared to the figure during the same period in 2020 by about 53% or P34 thousand because there were more messengerial activities in January and February, 2020 than during the same period in 2021.

### **6. SSS, PHIC and HDMF contributions**

The increase of about 93% or P5 thousand during the first quarter of 2021 compared with the figure in the first quarter of 2020 was due to the "No work, No pay" policy of the company during the lockdown period starting March 15, 2020.

### **7. Supplies and Other Office Expenses—**

This account includes office supplies, advertising, printing and reproduction expenses. The usage of office supplies during the first quarter of 2021 increased by about 60% or P5 thousand because during the first part of March 2020 the Company suspended its operations due to lockdown, hence, incurred lesser expenses.

### **8. Security services —**

There was an increase of about 50% or P17 thousand during the first quarter of 2021 because the Company paid the security agency fees for March, 2021 on time unlike in 2020 due to the suspension of its operations.

### **9. Miscellaneous—**

This account decreased by about 46% or P18 thousand in 2021. During the same period in 2020 the subsidiary (PCCC) incurred an expense for building signage. There was no expense of this nature incurred in 2021.



#### 10. Insurance –

There was an increase of about 30% or P14 thousand during the first quarter of 2021 compared with figure for the same period in 2020. The Company paid the insurance premiums during the first quarter of 2021 on time while it paid the insurance premiums due during the second quarter of 2020 because of the COVID-19 pandemic.

#### 11. Dues & Subscription –

This amount decreased by 7% or P23 thousand because the fee of the new Company's website provider was lower than the figure in the first quarter of 2020. Also, there was no security tokens paid to PSE on top of the annual listing fee in 2021.

#### 12. Professional fee –

The increase of about 14% or P6 thousand in first quarter of 2021 was due to the increase in the fees paid to the transfer agency for SEC reports.

#### 13. Taxes and Licenses –

This account increased by 6% or P2 thousand during the first quarter of 2021 because of the increase in the cost of business permit paid compared to the figure in the same period in 2020.

### THE GROUPS FINANCIAL SOUNDNESS INDICATORS

Presented below are the Financial Soundness Indicators used by the Group for the March 31 2021, December 31, 2020 and March 31, 2020

	March 31, 2021	December 31, 2020	March 31, 2020
(i) Current/liquidity ratios:			
$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{2,617,675}{584,241} = 4.48:1$	$\frac{2,939,360}{768,864} = 3.8:1$	$\frac{2,802,633}{75,324} = 37.2:1$
(ii) Debt-to-equity ratios:			
$\frac{\text{Total liabilities}}{\text{Equity}}$	$\frac{56,306,073}{828,108,350} = 0.07:1$	$\frac{55,200,696}{829,535,412} = 0.07:1$	$\frac{49,671,117}{795,579,884} = 0.06:1$
(iii) Solvency ratios:			
$\frac{\text{Total liabilities}}{\text{Total assets}}$	$\frac{56,306,073}{884,414,423} = 0.06:1$	$\frac{55,200,696}{884,736,108} = 0.06:1$	$\frac{49,671,117}{845,251,002} = 0.06:1$
(iv) Asset-to-equity ratios:			
$\frac{\text{Total assets}}{\text{Equity}}$	$\frac{884,414,423}{828,108,350} = 1.07:1$	$\frac{884,736,108}{829,535,412} = 1.07:1$	$\frac{845,251,002}{795,579,884} = 1.06:1$
(v) Interest rate coverage ratios (Earnings before interest and taxes/Interest expense):	This ratio is not applicable since the Company has no interest expense.		
(vi) Profitability ratios (Net profit after taxes/Revenues before cost of services):			
$\frac{\text{Net profit after taxes}}{\text{Revenues}}$	$\frac{(1,427,062)}{211} = (6763.33):1$	$\frac{32,861,529}{39,503,098} = 0.83:1$	$\frac{(1,304,394)}{1,193} = (1,093.37):1$

## 2. Notes to Interim Financial Statements and Other Required Disclosures:

- a. The Group's unaudited interim financial statements as of March 31, 2021 presented in this report have been prepared in conformity with generally accepted accounting principles. The same have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS). The same accounting policies and methods of computation were followed in the unaudited interim financial statements as compared with the Company's audited financial statements as of December 31, 2020.
- b. There were no items affecting assets, liabilities, equity, net income, or cash flows considered unusual because of their nature, size, or incidents aside from what is disclosed in the "Analysis of Financial Condition and Results of Operation" portion.
- c. The Group did not use estimates of amounts in its interim period reports covering the 1<sup>st</sup> quarter of the year 2021 and end of the year 2020, hence, no changes that have material effect in the current interim period can be reported.
- d. The Group has no issuances, repurchases and repayments of debt and equity securities. It has no short-term or long-term promissory notes. Therefore, it has no interest expense nor amortization of debt discount and expense or premium.
- e. There has been no changes in the composition of the Group during the interim period covered by this report, including business combinations, acquisition or disposal of subsidiaries and long-term investments, and restructurings.
- f. The Group has no contingent liabilities or contingent assets since December 31, 2020.
- g. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- h. There were no material segment revenue and segment business results during the period covered by this report.
- i. There has been no cash or stock dividends paid by the Group since their incorporation.
- j. Certain accounts have been reclassified and comparative figures have been adjusted to conform with the presentation of the Consolidated Financial Statements as of December 31, 2020. The accounting policies adopted in the preparation of the consolidated financial statements as of December 31, 2020 and interim financial statements as of March 31, 2021 are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations, which became effective beginning January 1, 2020. The adoption of these new and amended standards and interpretations did not have significant impact on the Parent Entity and Subsidiary's financial statements.

New standards, amendments to existing standards and interpretation effective in the 2019 to the Parent Entity and Subsidiary's operations which may or may not be relevant are as follows.

PFRS 16 *Leases* - This new standard replaces the following standards and interpretations: (a) PAS 17, *Leases*; (b) IFRIC 4, *Determining whether an Arrangement contains a Lease*; (c) SIC-15 *Operating Leases – Incentives*; and (d) SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The biggest change is that Lessees do not need to classify the lease at its inception and determine whether it's finance or operating lease. The standard introduces new accounting model for all leases. A lessee shall recognize a right-of-use asset and a lease liability, except for leases with a lease term of 12 months or less and containing no purchase options and leases where the underlying asset has a low value when new (such as personal computers or small items of office

furniture). Early application is permitted but the Parent Entity and Subsidiary opted not to early adopt the standard.

The Parent Entity and Subsidiary adopted this standard using the modified retrospective method with initial application on January 1, 2019. The adoption of this standard did not have significant impact on the Parent Entity and Subsidiary's financial statements since the existing lease agreements have a lease term of twelve (12) months or less.

**Amendments to PAS 19 (Revised), *Plan Amendment, Curtailment or Settlement*** – The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (a) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and (b) determine net interest for the remainder of the period after then amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

The adoption of this amendment had no significant impact on the Parent Entity and Subsidiary's financial statements.

**Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*** – This interpretation provides requirements on how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of this amendment had no significant impact on the Parent Entity and Subsidiary's financial statements.

**New standards, amendments to existing standards that are were effective in the year 2020 which are relevant to the Parent Entity and Subsidiary's operations are follows:**

**Amendments to PFRS 3, *Definition of a Business*** – The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

**Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*** – these amendments which use a consistent definition of materiality throughout PFRSs and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in PAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effects is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of “primary users of general-purpose financial statements” to whom those financial statements are directed, by defining them as “existing and potential investors, lenders and other creditors” that must rely on general purpose.

#### Revised Conceptual Framework for Financial Reporting

The International Accounting Standards Board (IASB) has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting,
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity,
- revising the definitions of an asset and a liability,
- removing the probability threshold for recognition and adding guidance on derecognition,
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

#### k. Financial Risk Management Objectives and Policies

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk, market risk and fair value estimates. The Group's overall risk management program seeks to minimize potential adverse effects on its financial performance and to make an optimal contribution to its revenues by managing these risks. The Parent Entity's risk management, vested thru the Board of Directors, focuses on actively securing its short to medium-term cash flows by minimizing the exposure to financial risks. Long-term financial investments are managed to generate lasting returns.

Management is aware of the following risks that the Company will face in the future as regards its mining project:

1. Mining metals and non-metals is essentially risky and expensive and faced with multiple problems.
2. The prices of commodities are always subject to fluctuations.
3. All governments change its heads and regulations are subject to unpredictable changes and government laws and regulatory policies and corporate governance poses hazards to plan, execute and deliver on long-term projects.
4. The global weather is unpredictable.
5. Many governments are demanding larger and larger share of the profits. Higher taxes and rents are seen as management problems.
6. Terms of contracts may be subjected to unpredictable changes.

## Management's Responses and Outlook

1. The Company's main goal is to explore for less risky exploration and exploitation minerals.
2. Shorten exploration period and look for the most economical ways to explore and conduct the latest geological and geophysical techniques to minimize risks of exploration.
3. Management will engage experts to utilize proven hedge and financial initiatives to mitigate and minimize the inherent risks of the volatility of commodities.
4. The Group is aware of the importance of community welfare and community relationship.
5. Strict observance of Covid-19 pandemic protocols to safeguard the health and well-being of its employees and adopt measure to sustain business operation.

### Financial risk factors

The Group's financial assets and liabilities, comprising mainly of cash and cash equivalents, trade and other receivables, available-for-sale investments and refundable deposits are exposed to a variety of financial risks. The management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks in the Group's financial performance. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

#### *1. Credit Risk Management*

Credit risk refers to the risk that a counterpart will default on its obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets.

The credit risk for cash and cash equivalent is assessed by Management as low risk since these are deposited with reputable banks which have low probability of insolvency. The amount of the Group's trade and other receivables account is not material. The Group's maximum exposure to credit risk from the available-for-sale investments is equivalent to the fair value of the shares in the Philippine Stock Exchange (PSE). The Group has no investments in foreign securities. The total carrying amount of the financial assets composed of cash and cash equivalents, other receivables, and deposit as presented in the financial statements as of March 31, 2021 is P2,606,160. These financial assets are not impaired and none are used for collateral or other credit enhancements.

#### *2. Liquidity Risk Management*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by maintaining adequate highly liquid assets in the form of cash and cash equivalents. A call of subscription receivable by the Board of Directors of the Parent Entity is an alternative to raise cash. The major stockholders have committed to make advances to the Parent Entity to sustain its operations. A stockholder made a cash advance amounting to P1.29 million during the first quarter of 2021. The current ratio as of March 31, 2021 is 4.48:1.

### *3. Market Risk Management*

Market risk is the risk of loss to future earnings, to fair value or to future cash that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

#### *3.1 Interest rate and foreign currency risk*

The Group's exposure to the risk of changes in interest rates is minimal since its cash and cash equivalents have fixed interest rates not affected by interest rates in the market. The Group does not have any interest bearing notes payable and is therefore not affected by changes in interest rates. The Parent Entity is exposed to foreign currency risk primarily with respect to its monetary assets denominated in US Dollar which are used to cover the exploration and development costs of its mining project in Indonesia. The Parent Entity's financial position and financial performance are affected by the movements in the Philippine Peso to US Dollar exchange rates. Foreign currency risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The balance of the US Dollar denominated cash and cash equivalents was US\$ 45,413 on December 31, 2020 and US\$ 45,418 on March 31, 2021. Any unrealized gain/loss from foreign exchange rate is taken up at the end of the year.

#### *3.2 Other Price Risk Sensitivity*

The Parent Entity's market price risk arises from available-for-sale financial asset which is carried at fair value. It manages its risk from changes in market price by monitoring the changes in the market price of the investments.

Since there has been no available market value in the PSE since 2010 of Philcomsat Holdings, Corp. due to its suspension from trading the Company recognized impairment loss of P720,000 as of December 31, 2020.

#### *1. Operating Segment*

An operating segment is a component of an entity that (a) 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.

In 2009, with the interest of the Parent Entity in mining, this business segment can be reported as an operating segment even though it is still in its exploratory stage. The business segment is organized and managed separately according to the nature of the services provided. A segment asset includes all operating assets used by a segment and consists of supplies, deposits, exploration and evaluation assets, property and equipment (net of accumulated depreciation),

With the granting of rights of exploration, development and operation of the mining concessions in Indonesia, as of March 31, 2021, there is nothing to report on mining business segment while the total segment assets under exploration and evaluation asset account amounts to P50,472,348 as of March 31, 2021 broken down into acquisition of rights to explore amounting to P11,795,500 and geophysical studies amounting to P38,676,848.

Aside from the effect of Covid-19 pandemic which is discussed on pages 3-4. Management has no knowledge of any other trends, demands, commitments, events, or uncertainties that would have material impact on the Group's liquidity. The Group look at its current assets as source of liquidity. The Group still expects to collect some subscription receivables from its by way of a formal call by the board of directors. Management has no knowledge of any other trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's operations. Management is not aware of any significant elements of income or loss that did not arise from the Group's operations nor were there any seasonal aspects that had material effect on the financial condition of the Group during the period covered by this report.

Except for the current financial obligation; there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

As at the end of the 1<sup>st</sup> quarter of year 2021, the Group was not in default in any of its indebtedness. It has enough resources or can raise resources if necessary, in order to meet any of its obligations and implement its planned activities. It does not foresee any liquidity problem in the coming quarters.

### **PART III – OTHER INFORMATION**

All material events and / or matters during the period covered by this report were disclosed under SEC Form 17-C. There are no other material matters/events during the period covered by this report which are required by SEC to be disclosed that are not disclosed with SEC.

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**

**Consolidated Statements of Financial Position**

**March 31, 2021 and December 31, 2020**

Amounts in Philippine Peso

	<b>March 31 *</b>	<b>December 31 **</b>
	<b>2021</b>	<b>2020</b>
<b>A S S E T S</b>		
<b>Current assets</b>		
Cash and cash equivalents	P 2,606,160	2,908,003
Other receivables	-	6,862
Prepayments	11,515	24,495
<b>Total current assets</b>	<b>2,617,675</b>	<b>2,939,360</b>
<b>Non current-assets</b>		
Investment in stocks	80,000	80,000
Property and Equipment - net	2	2
Investment property	830,000,000	830,000,000
Exploration and evaluation assets	50,472,348	50,472,348
Refundable Deposit	45,000	45,000
Deferred Tax Asset	1,199,398	1,199,398
<b>Total non-current assets</b>	<b>881,796,748</b>	<b>881,796,748</b>
<b>TOTAL ASSETS</b>	<b>P 884,414,423</b>	<b>884,736,108</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accruals and other payables	P 584,241	P 768,864
Income Tax Payable	-	0
<b>Total current liabilities</b>	<b>P 584,241</b>	<b>P 768,864</b>
<b>Non-current liabilities</b>		
Retirement benefits payable	3,997,992	3,997,992
Advances from stockholders	51,723,840	50,433,840
<b>Total non-current liabilities</b>	<b>55,721,832</b>	<b>54,431,832</b>
<b>TOTAL LIABILITIES</b>	<b>56,306,073</b>	<b>55,200,696</b>
<b>Total Equity Attributable to the Owners of the Parent</b>		
Share Capital	636,563,546	636,563,546
Remeasurement of retirement benefits payable	(64,056)	(64,056)
Retained earnings / (Deficit)	193,277,050	193,277,050
Net loss for the period	(1,426,371)	-
	<b>828,350,169</b>	<b>829,776,540</b>
<b>Non-controlling Interest</b>	<b>(241,818)</b>	<b>(241,128)</b>
<b>TOTAL EQUITY</b>	<b>828,108,350</b>	<b>829,535,412</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 884,414,423</b>	<b>P 884,736,108</b>

\* Unaudited

\*\* Audited



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY****Consolidated Statements of Comprehensive Income****(Unaudited)****For the Quarters ended March 31, 2021 and 2020**

Amounts in Philippine Peso

	<u>March 31</u>	<u>March 31</u>
	<u>2021</u>	<u>2020</u>
<b>INCOME</b>		
Interest Income	P 211	P 1,193
<b>EXPENSES</b>		
Salaries and Wages	570,863	508,281
Professional Fees	48,461	42,487
Utilities	108,778	87,753
Rental	210,529	138,715
Repairs and Maintenance	11,986	20,015
Transportation and Travel	29,669	63,204
Dues and Subscription	294,521	317,720
Miscellaneous	21,575	40,009
Security Services	51,000	34,000
Supplies and other office expenses	13,939	8,729
SSS, PHIC and HDMF contributions	9,720	5,040
Taxes and Licenses	36,959	34,829
Insurance	19,271	4,805
	<u>P 1,427,272</u>	<u>1,305,587</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,427,062)</u>	<u>(1,304,394)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<u>(1,427,062)</u>	<u>(1,304,394)</u>
<b>LOSS FOR THE QUARTER</b>		
ATTRIBUTABLE TO :		
Owners of the Parent	(1,426,371)	(1,303,859)
Non-Controlling Interest	(690)	(535)
	<u>P (1,427,062)</u>	<u>P (1,304,394)</u>
<b>LOSS PER SHARE</b>	<u>(0.002)</u>	<u>(0.002)</u>

*Note:*

Loss per share amounts are computed by dividing the net loss attributable to the owners of the Parent for the period over the number of shares issued and outstanding at the end of the period which is 652,500,000 shares for 2021 and 2020.

# IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY

## Consolidated Statements of Changes in Equity

(Unaudited)

March 31, 2021 and 2020

	Amounts in Philippine Peso	
	March 31 2021	March 31 2020
<b>EQUITY</b>		
Capital stock - par value - P1.00 for 2021 and 2020		
Authorized - 1,800,000,000 shares for 2021 and 2020		
Common Stock - 1,800,000,000 shares for 2021 and 2020		
Common Stock - Issued and outstanding - 230,643,195 for 2021 and 2020 ,		
Balance at beginning of year	P 230,643,195	P 230,643,195
Issued	-	-
Balance at end of period	230,643,195	230,643,195
Common Stock - subscribed capital stock - 421,856,805 shares for 2021 and 2020,		
Balance at beginning of year	421,856,805	421,856,805
Addition (Deduction) - net	-	-
Balance at end of period	421,856,805	421,856,805
Less: subscription receivable		
Balance at beginning of year	15,936,454	15,936,454
Addition (Deduction) - net	-	-
Balance at end of period	15,936,454	15,936,454
Total share capital	405,920,351	405,920,351
Remeasurement of retirement benefits payable	636,563,546	636,563,546
Retained Earnings	(64,056)	146,340
Balance at the beginning of year	193,277,050	160,413,126
Comprehensive loss for the period	(1,426,371)	(1,303,859)
Balance at the end of the period	191,850,679	159,109,267
Non-Controlling interest	(241,818)	(239,268)
<b>TOTAL EQUITY</b>	<b>P 828,108,350</b>	<b>P 795,579,885</b>

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY****Consolidated Statements of Cash Flows****(Unaudited)****For the Quarters Ended March 31, 2021 and 2020**

Amounts in Philippine Peso

**March 31  
2021****March 31  
2020****Cash Flows from Operating Activities**

Net loss from Operations	P (1,427,062)	P (1,304,394)
Adjustments for Interest Income	(211)	(1,193)

Decrease (Increase) in :

Receivables	6,862	513
Prepayments	12,980	-

Increase (Decrease) in :

Accruals and other Payables	(184,623)	(164,260)
-----------------------------	-----------	-----------

Cash Used in Operating Activities	(1,592,054)	(1,469,334)
-----------------------------------	-------------	-------------

Interest Income Received	211	1,193
--------------------------	-----	-------

**Net Cash Used in Operating Activities**

(1,591,843)	(1,468,141)
-------------	-------------

**Cash Flows from Investing Activities****Cash Flows from Financial Activities**

Additonal Paid up Capital	-	-
---------------------------	---	---

Increase in advances from stockholders	1,290,000	1,240,000
--	-----------	-----------

Net Cash Provided from Financial Activities	1,240,000	1,240,000
---	-----------	-----------

Net Increase (Decrease) in Cash and Cash Equivalents	(301,843)	(228,141)
--	-----------	-----------

Cash and Cash Equivalents at the Beginning of the Period	2,908,003	2,979,446
--	-----------	-----------

Cash and Cash Equivalents at the End of the Period	P 2,606,160	P 2,751,305
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# **IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**

## **Aging of Accounts Receivable**

**(Unaudited)**

**As of March 31, 2021**

Trade and other Receivables -	0
Loans to Employees and other companies	0

### **1) Aging of accounts receivable**

Type of accounts receivable	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos To 1 Year	1-2 Years	3-5 Years	5 Years- above	Past due accounts & Items in Litigation
a) Trade receivables									
1) Trade receivables									
b) Non-trade receivables									
1) Loan to employees									
2) Others									
Others-Accrued Interest									
Non-trade receivable									
Total accounts receivable (net)									

### **2) Accounts receivable description**

Type of receivable	Nature/Description	Collection Period
1) Loans to employees	Loans to company employees	one (1) year
2) Others	Advances to other companies	

### **3) Normal Operating Cycle : Calendar Year (12 months)**

*Note: No additional allowance for bad debts was set up during the quarter ending March 31, 2021.  
No reversal of allowance for doubtful accounts.*

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer

**IMPERIAL RESOURCES, INC.**


Signature and Title

  
**JESUS VICENTE B. CAPELLAN**  
Corporate Secretary

Date

May 10, 2021

Signature and Title

  
**VILMA B. VILLANUEVA**  
Comptroller / Assistant Treasurer

Date

May 10, 2021

# ANNEX E

## SEC Registration Number

**COMPANY NAME**

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

Form TypeDepartment requiring the reportSecondary License Type, If Applicable

## COMPANY INFORMATION

**Company's Email Address****Company's Telephone Number/s****Mobile Number**No. of StockholdersAnnual Meeting (Month/Day)Fiscal Year (Month/Day)**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****CONTACT PERSON'S ADDRESS**

**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.

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

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**

**REPORT ON EXAMINATION  
OF CONSOLIDATED  
FINANCIAL STATEMENTS  
December 31, 2020, 2019 and 2018**

**VILLARUZ, VILLARUZ & CO., CPAs**

# IMPERIAL RESOURCES, INC. AND SUBSIDIARY

82-J 4<sup>th</sup> Street, New Manila, Quezon City  
Telephone No. 724-2986 \* Fax No. 721-4648

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

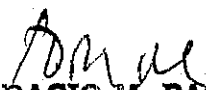
The management of **IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY** (the Parent Entity and Subsidiary) is responsible for the preparation and fair presentation of the consolidated financial statements, for the years ended December 31, 2020, 2019 and 2018, including the schedules attached therein, in accordance with Philippine Financial Reporting Standards (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 Parent Entity and Subsidiary'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 Parent Entity and Subsidiary or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Parent Entity and Subsidiary'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.

**VILLARUZ, VILLARUZ & CO., CPAs**, the independent auditors, appointed by the stockholders, has audited the financial statements of the Parent Entity and Subsidiary in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**HORACIO M. PASCUAL**  
*Chairman of the Board*

  
**OLIVERIO L. LAPERAL, JR.**  
*President / Chief Executive Officer*

  
**DESIDERIO L. LAPERAL**  
*Vice-President / Chief Financial Officer*

Signed this 14th day of April, 2021



## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)  
QUEZON CITY S.S.

BEFORE ME, the undersigned Notary Public for and in, this 15 APR 2021  
personally appeared the following affiants with their respective Passport Numbers as follows:

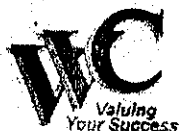
NAME	PASSPORT NO.	ISSUED / EXPIRE
Horacio M. Pascual	P5135248A	Nov. 25, 2017 / Nov. 24, 2022
Desiderio L. Laperal	P5651619A	Jan. 17, 2018 / Jan. 16, 2028
Oliverio L. Laperal, Jr.	P4468234B	Jan. 21, 2020 / Jan. 20, 2030

WITNESS MY HAND SEAL on the date and place first above written.

NOTARY PUBLIC

Doc. No. 7;  
Page No. 3;  
Book No. 28;  
Series of 2021.

*Concepcion Villalena*  
ATTY. CONCEPCION VILLALENA  
Notary Public for Quezon City  
Until December 31, 2021  
PTR No. 0683154 / 1-4-2021/ QC  
IBP No. 093587 / 10-22-2019/ QC  
Roll No. 30457 / 05-05-10  
MCLE VI-0830379 / 2-21-2020  
Adm. Matter No. NP-601(2020-2021)  
TIN NO. 131-942-754



## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of  
IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY  
82-J 4th Street, Barangay Mariana, New Manila  
Quezon City

### Report on the Audits of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY (the Parent Entity and Subsidiary) which comprise the consolidated statements of financial position as at December 31, 2020, 2019 and 2018, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY as at December 31, 2020, 2019 and 2018, and its financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

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

#### *Key Audit Matters*

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



## **Valuation of Investment property**

Refer to Note 13 in the consolidated financial statements.

Management has estimated the fair value of the Parent Entity and Subsidiary's investment property to be P830,000,000 as at December 31, 2020 with a revaluation gain for the year ended December 31, 2020 recorded in the statements of comprehensive income of P39,500,000. Independent external valuation was obtained in order to support management's estimates. The valuation is dependent on certain key assumptions that require significant management judgment including selection of fair value technique to determine the carrying value of the investment property. Such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Our procedures in relation to management's valuation of investment property included:

- Evaluation of the independent external valuers' competence, capabilities and objectivity;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; and
- Checking, on a sample basis, the accuracy and relevance of the input data used.

We found the key assumptions were supported by the available evidence. The fair market value of the property was supported by comparative approach to value that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison which was in line with our expectations. We found the disclosures in Note 13 to be appropriate.

## **Recoverability of Exploration and evaluation assets**

Refer to Note 14 in the financial statements.

The ability of the Parent Entity and Subsidiary to recover its exploration and evaluation assets depends on the commercial viability of the mineral resources. The carrying value of exploration and evaluation assets as at December 31, 2020 amounted to P50,472,348 which is considered material to the consolidated financial statements. This matter is important to our audit because of the substantial amount of exploration and evaluation assets and the significant management judgment involved in performing a recoverability review.

Our procedures in relation to management's assessment on the recoverability of exploration and evaluation assets included the following:

We obtained management's assessment on the recoverability of the exploration and evaluation assets, and inquired into the status of these projects and their future plan of operation. We obtained the status of the Parent Entity and Subsidiary's exploration project in Indonesia as of December 31, 2019 from the latest available reports of its Indonesian partner's technical group. We reviewed the terms of contracts and agreements, and budgets as well as the remittances made to the Indonesian partner to cover the exploration costs. We inspected reports covering licenses and permits of the exploration project to determine the right of the Parent Entity and Subsidiary to explore in specific areas. We also inquired of management about the project areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. We found the disclosures in Note 14 to be appropriate.



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

Management is responsible for the preparation and fair presentation of these 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 Parent Entity and Subsidiary'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 Parent Entity and Subsidiary or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Entity and Subsidiary's financial reporting process.

## ***Auditor's Responsibilities for the Audits of the Consolidated Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Entity and Subsidiary'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 Parent Entity and Subsidiary's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our





# Villaruz, Villaruz & Co., CPAs

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Entity and Subsidiary 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.

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

VILLARUZ, VILLARUZ & CO., CPAs  
000-889-941

By:

  
NORMITA L. VILLARUZ

CPA Certificate No. 36181

PRC ID No. 0036181 valid until September 20, 2021

PTR No. 0697499 issued on January 6, 2021 at Quezon City

BIR Accreditation No. (Individual) 07-100207-001-2020 issued on November 25, 2020 valid until November 24, 2023

BIR Accreditation No. (Firm) 07-000438-005-2020 issued on October 28, 2020 valid until October 27, 2023

SEC Accreditation No. (Individual) 0600-AR-3 (Group A) issued on October 8, 2019 valid until October 7, 2022

SEC Accreditation No. (Firm) 0128-FR-4 (Group A) issued on October 8, 2019 valid until October 7, 2022

T.I.N-101-825-674

BOA/PRC Registration No. 0058 issued on October 4, 2018 valid until June 26, 2021

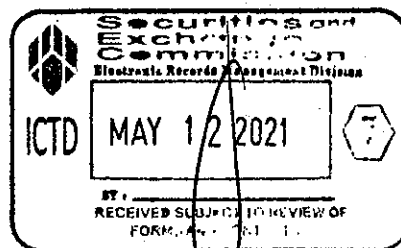
Quezon City, Philippines  
April 14, 2021



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2020, 2019 and 2018  
(All amounts in Philippine Peso)

<b>ASSETS</b>				
	Notes	2020	2019	2018
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3, 8	2,908,003	2,979,446	3,468,946
Other receivables	3, 9	6,862	14,354	36,800
Prepayments	3, 10	24,495	37,487	38,030
Total Current Assets		2,939,360	3,031,287	3,543,776
<b>NON-CURRENT ASSETS</b>				
Investment in stocks	3, 11	80,000	80,000	80,000
Property and equipment, net	3, 12	2	3,134	10,846
Investment property	3, 13	830,000,000	790,500,000	785,000,000
Exploration and evaluation assets	3, 14	50,472,348	50,472,348	50,472,348
Refundable deposit	3, 15	45,000	45,000	45,000
Deferred tax asset	3, 16	1,199,398	1,347,887	1,305,307
Total Non-current Assets		881,796,748	842,448,369	836,913,501
<b>TOTAL ASSETS</b>		<b>884,736,108</b>	<b>845,479,656</b>	<b>840,457,277</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accruals and other payables	3, 17	768,864	237,070	2,273,065
Income tax payable	3, 16	-	2,513	186
Total Current Liabilities		768,864	239,583	2,273,251
<b>NON-CURRENT LIABILITIES</b>				
Advances from shareholders	3, 19	50,433,840	43,862,840	34,598,840
Retirement benefits payable	3, 18	3,997,992	4,492,954	4,351,019
Total Non-current Liabilities		54,431,832	48,355,794	38,949,859
<b>TOTAL LIABILITIES</b>		<b>55,200,696</b>	<b>48,595,377</b>	<b>41,223,110</b>
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Share capital	3, 20	636,563,546	636,563,546	636,563,546
Remeasurement on retirement benefits payable	3, 18	(64,056)	146,340	(2,689)
Retained earnings	3	193,277,050	160,413,126	162,908,520
		829,776,540	797,123,012	799,469,377
<b>NON-CONTROLLING INTEREST</b>	3, 26	(241,128)	(238,733)	(235,210)
<b>TOTAL EQUITY</b>		<b>829,535,412</b>	<b>796,884,279</b>	<b>799,234,167</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>884,736,108</b>	<b>845,479,656</b>	<b>840,457,277</b>

(See Notes to Financial Statements)



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2020, 2019 and 2018  
(All amounts in Philippine Peso)

	Notes	2020	2019	2018
<b>OTHER INCOME</b>				
Gain from investment property revaluation unrealized	13	39,500,000	5,500,000	235,000,000
Interest income	8, 9	3,098	9,770	14,725
Unrealized gain on foreign exchange, net	8, 23	-	-	125,631
<b>Total Other Income</b>		<b>39,503,098</b>	<b>5,509,770</b>	<b>235,140,356</b>
<b>ADMINISTRATIVE EXPENSES</b>	25	<b>6,402,911</b>	<b>8,112,624</b>	<b>7,440,754</b>
<b>PROFIT (LOSS) FROM OPERATIONS</b>		<b>33,100,187</b>	<b>(2,602,854)</b>	<b>227,699,602</b>
<b>TAX BENEFITS DEFERRED</b>	16	<b>(238,658)</b>	<b>103,937</b>	<b>99,916</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>32,861,529</b>	<b>(2,498,917)</b>	<b>227,799,518</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Item that will not be reclassified to profit or loss:				
Remeasurements on retirement benefits payable, net of tax	18	(210,396)	149,029	98,581
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>		<b>32,651,133</b>	<b>(2,349,888)</b>	<b>227,898,099</b>
<b>PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>				
Owners of the parent		32,863,924	(2,495,392)	227,801,712
Non-controlling interest	3, 26	(2,395)	(3,525)	(2,194)
		<b>32,861,529</b>	<b>(2,498,917)</b>	<b>227,799,518</b>
<b>TOTAL COMPREHENSIVE PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the parent		32,653,528	(2,346,363)	227,900,293
Non-controlling interest	3, 26	(2,395)	(3,525)	(2,194)
		<b>32,651,133</b>	<b>(2,349,888)</b>	<b>227,898,099</b>
<b>EARNINGS PER SHARE:</b>				
Basic	3, 27	0.05	(0.00)	0.36
Diluted	3, 27	0.05	(0.00)	0.35

(See Notes to Financial Statements)

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2020, 2019 and 2018  
(All amounts in Philippine Peso)

<u>Equity Attributable to Equity Holders of Parent Entity</u>						
	Note	Share Capital	Remeasurements on retirement benefits payable	Retained Earnings (Deficit)	Equity Attributable to Equity Holders of the Non-controlling Interest (Note 26)	Total Equity
<b>SHARE CAPITAL</b>						
Authorized 1,800,000,000 shares at P1 par value per share	20	1,800,000,000				
Issued and Subscribed 652,500,000 shares at P1 par value per share	20	652,500,000				
Subscription Receivable	20	15,936,454				
Paid-up 636,563,546 shares at P1 par value per share		636,563,546				
Balance at January 1, 2018		636,413,546	(101,270)	(64,893,192)	(233,016)	571,186,068
Transaction with owners:						
Collection of subscription receivable		150,000	-	-	-	150,000
Total comprehensive income:						
Profit (Loss) for the year		-	-	227,801,712	(2,194)	227,799,518
Other comprehensive income for the year	18	-	98,581	-	-	98,581
Total comprehensive income (loss) for the year		-	98,581	227,801,712	(2,194)	227,898,099
Balance at December 31, 2018		636,563,546	(2,689)	162,908,520	(235,210)	799,234,167
Total comprehensive income:						
Loss for the year		-	-	(2,495,392)	(3,525)	(2,498,917)
Other comprehensive income for the year	18	-	149,029	-	-	149,029
Total comprehensive income (loss) for the year		-	149,029	(2,495,392)	(3,525)	(2,349,888)
Balance at December 31, 2019		636,563,546	146,340	160,413,128	(238,735)	796,884,279
Total comprehensive income:						
Profit for the year		-	-	32,863,924	(2,395)	32,861,529
Other comprehensive loss for the year	18	-	(210,396)	-	-	(210,396)
Total comprehensive income (loss) for the year		-	(210,396)	32,863,924	(2,395)	32,651,133
Balance at December 31, 2020		636,563,546	(64,056)	193,277,052	(241,130)	829,535,412

(See Notes to Financial Statements)



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2020, 2019 and 2018  
(All amounts in Philippine Peso)

	Notes	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before provision for income tax		33,100,187	(2,602,854)	227,699,602
Adjustments for:				
Gain from investment property revaluation unrealized	13	(39,500,000)	(5,500,000)	(235,000,000)
Accrual of retirement benefits expense	18	210,155	354,833	333,991
Depreciation	12, 22, 25	3,132	7,712	20,547
Accrual of taxes		495,000	-	396,964
Unrealized gain (loss) on foreign exchange, net	8, 23	122,961	89,603	(125,631)
Interest income	8	(3,098)	(9,770)	(14,725)
Operating loss before working capital changes		(5,571,663)	(7,660,476)	(6,689,252)
Decrease (Increase) in:				
Other receivables		7,492	22,446	73,140
Prepayments		12,992	543	(1,304)
Increase (Decrease) in:				
Accruals and other payables		36,795	(2,035,994)	(94,101)
Cash used in operations =		(5,514,384)	(9,673,481)	(6,711,517)
Retirement benefits paid		(1,005,683)	-	-
Income tax paid		(2,513)	(186)	(2,660)
Interest received	8	3,098	9,770	14,725
Net cash used in operating activities		(6,519,482)	(9,663,897)	(6,699,452)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Collection of subscription	20	-	-	150,000
Increase in advances from shareholders	19	6,571,000	9,264,000	7,279,000
Net cash provided by financing activities		6,571,000	9,264,000	7,429,000
EFFECT OF EXCHANGE RATE CHANGES ON CASH	8, 23	(122,961)	(89,603)	125,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(71,443)	(489,500)	855,179
CASH AND CASH EQUIVALENTS, January 1	8	2,979,446	3,468,946	2,613,767
CASH AND CASH EQUIVALENTS, December 31	8	2,908,003	2,979,446	3,468,946

(See Notes to Financial Statements)

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the years ended December 31, 2020, 2019 and 2018

(All amounts in Philippine Peso unless otherwise stated)

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**NOTE 1 - GENERAL INFORMATION**

Imperial Resources, Incorporated (Parent Entity) was incorporated and registered in the Philippines and registered with the Securities and Exchange Commission (SEC) per Registration No. 39243 on September 5, 1969. The primary purpose of the Parent Entity is to carry on the business of operating coal mines, and of prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging, and producing, and dealing in all kinds of ores, metals and minerals, asphalt-bithumen, hydrocarbons, acids and chemicals, and in the products and by-products of every kind and description and by whatever process, can be or may be produced; to purchase, lease, option, locate or acquire, own, exchange, sell, or dispose of, pledge, mortgage, deed in trust, hypothecate, and deal in mines, mining claims, mineral lands, coal lands, timber lands, water and water rights, other property, both real and personal.

The Parent Entity holds 99% interest in Philippine Cyber College Corporation (PCC), its only subsidiary, with principal place of business at 82-J 4<sup>th</sup> Street, Barangay Mariana, New Manila, Quezon City. PCC was registered with the SEC on May 30, 2000 per Registration No. A20007650 to own, operate, manage and maintain a school of learning, offering, kindergarten or pre-school training, as well as primary, secondary and tertiary levels of school instructions and to develop and educate students in accordance with approved curriculum prescribed by the government, and in connection therewith, to obtain the required permits and government recognition for the operation of said educational institution and the authority to confer certificates of completion/graduation and/or diploma; further, to own, lease and acquire the use and possession of land for school campus, school buildings and properties for school facilities. PCC had management and technical agreement with two (2) I.T. learning centers located in Baguio and Malolos, Bulacan. However, in June 2008 the two (2) learning centers temporarily suspended their operations. Management decided to shift from I.T. education project to technical vocational education, training and assessment project. Since the latter part of 2009, PCC's operations have remained suspended.

During the special meeting of the Board of Directors held on March 29, 2011, it resolved, approved and ratified the change of par value of the shares of stock of the Parent Entity from Five Pesos (P5.00) to One Peso (P1.00) per share, was approved and ratified. Consequently, on July 14, 2011 the same was confirmed and ratified in the regular annual stockholders' meeting.

On October 2, 2013, a special meeting of the Board of Directors was called to consider, among other matters, the amendment of the Articles of Incorporation, specifically the articles pertaining to the change of name of the Parent Entity to Century Sun Services, Inc. which was already approved by the Board of Directors and reserved with the SEC. Also, a proposal was raised for the amendment of the purpose of the Parent Entity. It was also proposed that the corporate term be extended for another fifty (50) years. Finally, another proposal was submitted to increase the authorized capital stock from One Billion Eight Hundred Million Pesos (P1,800,000,000) up to Six Billion Pesos (P6,000,000,000). Upon motions made and duly seconded, the proposed amendments were unanimously approved by the Board of Directors. On July 10, 2014, on the regular annual stockholders' meeting, the same had been confirmed and ratified. As of December 31, 2018, the Company's management has not implemented this.

During the special meeting of the Board of Directors held on March 28, 2016 the declassification of the shares of stock of Parent entity from common Class "A" and Class "B" shares to common stock voting shares was approved. This was subsequently confirmed and ratified by the stockholders during the regular annual stockholders' meeting held on July 14, 2016.

The change of par value and the declassification of shares were approved by SEC on February 10, 2018 and implemented by Philippine Stock Exchange (PSE) on February 22, 2018.

The Parent Entity and its Subsidiary have seven (7), eight (8), and eight (8) employees as at December 31, 2020, 2019 and 2018, respectively.

The Parent Entity and its Subsidiary's principal place of business is Unit 202 Villa Building, No. 78 Jupiter Street corner Makati Avenue, Barangay Bel-Air, Makati City, Metro Manila, the business address is 82-J 4<sup>th</sup> Street, Barangay Mariana, New Manila, Quezon City and the registered office is 3762-C Cuenca corner Emilia Streets, Barangay Palanan, Makati City, Metro Manila.

These financial statements have been approved and authorized for issuance by Mr. Desiderio L. Laperal, Vice President/Chief Financial Officer, on behalf of the Board of Directors on April 14, 2021.

## **NOTE 2 - STATUS OF OPERATIONS**

### *Parent Entity*

Since 2005, the Parent Entity has been evaluating mining projects and has narrowed down the prospective mining properties to gold mining, asphalt mining and energy. In September 2008, the Parent Entity made a deposit amounting to P7,090,500 (US\$150,000) to acquire mining rights in Indonesia.

In January 2009, the Parent Entity signed a Memorandum of Agreement with P.T. Aspal Buton Nasional, an entity organized and existing under the laws of Indonesia which was granted mining rights covering 1,940 hectares of Mining Exploration Concession located at Buton Island, South East Sulawesi Province, Indonesia. With the deposit amounting to P7,090,500 made by the Company to the said Indonesian entity in 2008, the Parent Entity was granted the exclusive rights of exploration, exploitation, development and operation of the above-described mining concessions during its lifetime and over such additional future mining concessions that P.T. Aspal Buton Nasional may acquire or be awarded.

During 2009, the Parent Entity conducted geologic and geophysical (Electric Resistivity) surveys on the approximately two hundred (200) hectares and one thousand seven hundred (1,700) hectares, all located in Buton Island, Southwest of Sulawesi Province, Indonesia.

The two (2) asphalt concessions expired during the second half of 2011. However, because of the significant geophysical electric resistivity survey conducted and arranged by the business associate, Aspal Buton Nasional, and funded by the former, the latter was able to obtain approval for extension of the exploration concession for additional period of two (2) years. In 2014-2016, approval for extension of the exploration concession were obtained.

In December 2009, the Parent Entity made a deposit of P4,705,000 (US\$100,000) to PT. Indominas to acquire other mining rights in Indonesia which was subsequently charged to exploration and evaluation assets during the year as a signature bonus.

On January 17, 2010, the Parent Entity signed a Memorandum of Agreement with PT. Indominas, an Indonesian Company duly organized and existing under the laws of the Republic of Indonesia, with principal office address at JL. Klampis Anom II/29, Surabaya, Indonesia (referred to as Claimowners). After January 17, 2010, the Claimowners expect to be granted Mining Rights by the government state corporation Perusahaan Daerah (Perusda) Pd. Utama Sultra of South East Sulawesi of the Republic of Indonesia, covering an approximate 4,779 hectares mining exploration concession at South East Sulawesi Province of the Republic of Indonesia. The Claimowners granted the Parent Entity the exclusive rights to do preliminary studies before choosing the area to be developed. If the results of the studies are favorable, the Parent Entity shall pay another US\$170,000 upon approval of the conversion of the selected areas into exploration concession. Within thirty (30) days after the Claimowners shall have obtained and delivered to the Parent Entity all government approvals, permits, extensions and licenses, the Parent Entity at the sole expense shall start geological and geophysical surveys on the mining concessions for the purpose of determining the potentials for commercial operations, development and exploitation of the above-mentioned mining concessions. At the end of 2010, preliminary studies on the said area have not been completed.

The preliminary geologic survey on the proposed subject area indicated possible deposits. Outside and a bit far from the subject area, there are many gold panners. The Parent Entity is also evaluating the peace and order situation in the area. After evaluating several factors, the Parent Entity will have a better total picture on the business prospects of the gold mining project.

In August 2010, the Parent Entity furnished the samples of rocks gathered from the survey made in Indonesia to Toyo - Union Co., Ltd. (TUCL) and expressed an intention to have a business association with them, subject to some terms and conditions, including confidentiality and exclusivity rights reserved for the Parent Entity. TUCL recognized and respect the exclusive rights of the Parent Entity and have entered into a memorandum of agreement with the Parent Entity on September 13, 2010. During 2011, the engineers and geologist of TUCL together with the engineers from Asphal Buton Nasional were able to go to the asphalt concession areas and collected about sixty (60) kilos of samples and TUCL was able to bring samples to Tokyo. As of date, the Parent Entity has no agreement with TUCL.

On March 16, 2017, in the special meeting of the Board of Directors, it was resolved that while the Parent Entity is proceeding with caution and at the same time re-evaluating its Indonesian mining project owing to the precipitous fall in the world price of crude, the Parent Entity is at present inclined to pursue the said project for that reason the Indonesian partners have been continuously looking for foreign partners to invest capital needed after they have secured formal approval of the exploitation concession because of its viability. Furthermore, the Parent Entity has been studying and evaluating a project cost study submitted by a project proponent pertaining to silica sand quarrying and processing operation. The Parent Entity is aware of the increasing demand for flat glass and glass bottles by local glass manufacturing companies. Management has been evaluating the impact of the latest environmental policies, regulations and pronouncements made by various government agencies on the feasibility and sustainability of the project. Another important factor being considered by management is the peace and order situation in the prospective silica mining sites. Towards this end, the Laperal family and LTC Real Estate Corporation committed to support and fund the said projects.

In 2018 the President, Desiderio L. Laperal travelled to Europe for preliminary discussions and observation of IT-based business applications related to remote sensing of marine and land resources, land-use, and community development. President Laperal observed driver-less autonomous farm machinery, robotic steel fabrication and remote-controlled fisheries management systems. He was impressed with the Green Energy initiatives mandated by the European Union, which is meant to

encourage more reliance on renewable power such as air turbines, hydro and solar. All of these applications and the downstream business opportunities are relevant to Imperial Resources.

There are some business opportunities which Mr. Desiderio L. Laperal, the Vice President and Chief Financial Officer, has been looking into during his business trip to Europe in 2019. He had preliminary discussions and observations of IT-based business applications related to remote sensing of marine and land resources, land use and community development. In June 2019 he travelled to Europe to meet with potential partners and continue discussions on investment opportunities in the Philippines. On that trip, he accompanied two Italian businessmen to the Philippine Consul in Milan, Italy to confer with Consul General Irene Susan Natividad and Consul Mersole Mellejor. Mr. Laperal invited the two Italian businessmen to visit Manila in 2019 but the date was subsequently reset to March, 2020. The COVID-19 pandemic has caused the visit to be cancelled. The recent reopening of regional economies from COVID-19 gives management hope that before the end of 2020 the visit will materialize resulting to fruitful discussions. Meantime, the Laperal family will continue to support financially the operations of the Parent Entity.

The development of vaccine by various pharmaceutical companies against COVID-19 during the latter part of 2020 boosted the hopes for global economic recovery. Management plans to re-establish communications with the Italian businessmen when travel to Europe becomes safer and less stringent and pursue further discussions on the business opportunities initially discussed. Meantime, the Laperal family will continue to support financially the operations of the Parent Entity.

Immediately after the Government imposed the Enhanced Community Quarantine (ECQ) on March 15, 2020, management gave priority to the safety and well-being of its employees by temporarily stopping the operations of the Company. The quarantine entailed more expenses and difficulties for the employees to meet their daily needs and health issues. To allay the fears and anxieties of its employees facing uncertainties about their financial as well as health conditions one of the officers of the Company advanced the employees' 13<sup>th</sup> month pay and paid leave in full.

After two (2) months of lockdown on May 18, 2020 when the Modified Enhanced Community Quarantine (MECQ) was imposed the Company started operating again. The primary concern of the Company was how to keep its employees fit to work, protect them from being afflicted with the COVID-19 virus and implementing the many government-imposed restrictions and guidelines. The following actions have been taken up by the Company in line with the prescribed procedures by the government to mitigate the negative effects of the pandemic on its employees' mental well-being and physical and emotional health:

- a. The Company has been providing its personnel with shuttle service to and from work every day and for some, sleeping quarters, TV, and laundry area within the office premises.
- b. Providing facial masks, face shields, isopropyl alcohol, hand sanitizers and or soap. The employees are obliged to wash/ sanitize their hands more often. Alcohol and sanitizers are provided to visitors upon entering the office.
- c. Appropriate social distancing is made a protocol not only inside but outside of the workplace.
- d. Communications are done mostly through electronic mail or telephone.
- e. Frequent disinfection of the workplace.
- f. Company-paid mandatory Rapid test and swab test if necessary. Employees are urged to be vigilant always and to disclose their health problems or possible exposure of the virus including their families or other persons they had close contact with. Free

medical check-up and testing when perceived symptoms of COVID-19 are experienced.

- g. Providing Multi-vitamins, farm-fresh organic vegetables, and fruits to strengthen the immune system of the employees.
- h. Starting from September 2020 the Company has granted a temporary COVID -19 related cash benefit to all employees at Pesos: Two Thousand (P2,000) per month per employee to help them cope with the rising cost of living and transportation. This benefit will be discontinued as soon as the business condition improves and at the discretion of management.
- i. Continuous dissemination of information to the employees on how to protect themselves and their families and prevent the spread of COVID-19.
- j. Management is studying ways and means of helping its employees regarding the vaccination program against COVID-19 in relation to the policies and programs to be implemented by the government.

In July 2020 one employee was tested positive of COVID -19. Management ordered a one-week lockdown and disinfection of the whole work area. After a month of quarantine, the employee who was a senior citizen opted to retire.

Management has been using various modes of remote communication such as teleconferencing, videoconferencing and electronic mail system. The new normal way of conducting staff meetings is videoconferencing. All the meetings of the Board of Directors including the annual stockholders' meeting in 2020 were held through videoconferencing. All the members of the Board attended the PSE-SEC Corporate Governance Forum on July 10, 2020 to keep abreast of the effects of the COVID-19 pandemic on the national economy and the people, risk management strategies, pursuit of corporate sustainability based on experiences from the pandemic and SEC regulatory updates. The members of the Board were enlightened about the importance of the sustainability reporting in mitigating various risks.

After studying, evaluating, and analyzing the Parent Entity's current office and work set-up and the nature of the work of the employees, management concluded that work-from-home mode of work is difficult to adopt. Employees lack computer equipment, inadequate internet connections at their homes, their home conditions are not suited for home-based work are some reasons why work-from-home cannot be adopted. The plan of management to adopt skeletal force to minimize cost was shelved because of limited manpower specially so that one employee retired.

This COVID-19 pandemic has greatly affected the human and financial resources of the Parent Entity. The Parent Entity's survival has been a pressing and challenging issue. Despite the economic and health benefits management has been extending its employees they still experience anxiety, lack of focus and concentration, fear for the health of their families, frequent absences, uncertainty of the future resulting to a below-par performance in discharging their duties and responsibilities. The administrative costs for the year 2020 went up due to the transportation and gasoline expenses incurred in transporting its employees and use of vehicles for messengerial activities. The medical and dental expenses of the employees also increased due to the mandatory rapid and swab testing and more frequent medical check-ups. Office and other supplies increased due to the COVID-19 related supplies purchased. Business opportunities in 2020 have not been actively pursued. Preliminary talks were either postponed or cancelled.

### *Subsidiary*

Until the middle of 2008, the Subsidiary was engaged in the business of Information Technology (I.T.) - Education. Educational facilities are located in Baguio and Malolos, Bulacan, each with an enrollment of 40-60 students and class-sizes limited to about 15 students. All potential students undergo rigorous online entrance exams to ensure high quality students. The school's objective is to produce a small number of extremely high quality graduates each year. The educational facility located in Malolos had a "Joint Livelihood Project" with the Provincial Government of Bulacan which was formally terminated in May 2007. The school transferred to another location in Malolos, Bulacan in time for June 2007 school enrollment. However, in June 2008 the two (2) learning centers temporarily suspended their operations and remain as such up to the present.

Management has decided to shift from I.T. education project to technical-vocational education, training and assessment project. Management believes in the value of education, hence, this new project is the Subsidiary's answer to government's call to help stimulate economic growth through productive employment. The Subsidiary is aware of the global need and the lack of highly skilled welders, pipe fitters and other allied skills in the construction business. With this new venture, the Subsidiary hopes to provide a relevant training system that can fully prepare the manpower with the correct skills needed in the rapidly modernizing economies.

It has secured a property lease in Pasay City, as the site of the education and training facility, for five (5) years commencing on April 1, 2008. The monthly rental is ten percent (10%) of the gross tuition, matriculation, and students' miscellaneous fees from July 1, 2009 up to July 31, 2013. The preparation, construction and renovation works on the education and training facility started in March 2008. For the techno vocational project, the Subsidiary engaged the services of its administrator in March 2008. Two (2) employees were hired in June 2008 to assist the administrator.

The training center, in cooperation with the PGMA Scholarship of Technical Education and Skills Development Authority (TESDA), conducted its operations from February to July 2009. In August, TESDA temporarily cut its PGMA Scholarship Program which is the mainstay of welding schools in sustaining their operations. Because the Subsidiary failed to obtain marketing agreements to provide welding training for maritime placement companies' recruits, the management of the Parent Entity has been mulling over the idea of phasing off this techno-vocational project to concentrate on its more financially promising mining project.

For the years 2008 and 2007 (and prior years), there were no material sources of revenue. It was only in 2009 that it generated revenue from tuition fees for its techno-vocational project. However, as discussed above, operations have been hampered due to temporary cessation of the PGMA Scholarship Program of TESDA. The Subsidiary incurred net losses of P0.24, P0.35, and P0.21 million for the years 2020, 2019 and 2018, respectively. Due to the losses incurred, the Subsidiary has capital deficiency amounting to P29.11 million, P23.87 million, and P23.52 million as at December 31, 2020, 2019 and 2018, respectively.

For the past years, the Parent Entity has rendered continuous support to the Subsidiary by providing the necessary funds when the need arises.

On March 20, 2013, at the meeting of the Management Committee, wherein, all members who were also directors were present and representing majority of the members of the Board of Directors unanimously resolved and approved the dormancy status of Philippine Cyber College Corporation (PCC) due to its non-operation since 2010 and because of the significant losses incurred by the

Subsidiary. As at December 31, 2013, 2012 and 2011, the Capital Deficiency amounted to P20.90 million, P20.03 million, and P18.76 million.

In 2015, the Subsidiary has entertained inquiries or proposals to lease its building in Baguio City. Consequently, the Subsidiary has changed its basis of accounting from liquidation basis to going-concern basis.

In 2016, an interested party proposed to rent the building to be used as its marketing office for Thirty Five Thousand Pesos (P35,000.00) per month. On March 16, 2017, at the special meeting of the Board of Directors, it was resolved that the Vice-Chairman and Vice-President, is authorized and empowered to negotiate, transact, conclude, execute and sign, for and in behalf of the Subsidiary, agreements or contracts for the lease of the property in Baguio as well as to deliver such necessary records, documents or papers pertinent to or in its implementation. It was resolved further that the same person are authorized and empowered to agree on the terms, conditions and stipulations, and the price of the lease, for the best interest of the Company. However, due to the change of marketing plans of the prospective lessee the lease agreement was not finalized. Early in 2018 an interested party made an offer to lease the building to be used as a primary school for Forty Thousand Pesos (P40,000) per month. However, the negotiation bogged down.

Despite the presence of the caretaker to prevent informal settlers to enter and use the property as their dwelling place, in 2013, management decided to allow Philippine National Internal Affairs Services (PNP-IAS) to use portion of the ground floors as its office for free. During the latter part of 2018, the PNP-IAS moved out of the property. In 2019, the management repaired and repainted the building in order to better attract potential lessees considering its good location. Accordingly, the Subsidiary continued its reporting on a going-concern basis of accounting.

In June 2020, management received a proposal from an educational institution to lease the Baguio property to set up a school for its mainstream learning and distant learning programs at seventy-five thousand pesos (P75,000) per month. The prospective lessee wanted a minimum of five-year lease contract. The negotiation did not prosper.

In January 2021, another interested party submitted a proposal to lease the said property for its planned bed and breakfast business at Seventy-Five Thousand (P75,000) per month for two (2) years. Management is evaluating the proposal including some conditions proposed by the lessee in line with the short and long-term effects of the COVID-19 pandemic on the business of the Subsidiary and the lessee. With the vaccine against COVID-19 slowly becoming available in the country, it is expected that the number of COVID-19 cases will be reduced, thus, accelerating the growth of the economy. Management is confident that it can find a lessee during 2021, thus, making the building an income-generating asset.

#### ***Commitment of support of shareholders***

In the previous years, Mr. Oliverio G. Laperal Sr., the Parent Entity and Subsidiary's former President, and other major shareholders have committed to support and to fund the ongoing and new projects, and assured the continuous operations of the Parent and Subsidiary's.

In 2007, as a sign of support and commitment, the President paid in full his subscription of P400 million to increase the capital stock of the Parent Entity and Subsidiary (from P700 million to P1.8 billion) by executing a deed of assignment of a real estate property in favor of the Parent Entity and Subsidiary. The transfer certificate of title of the said property was issued in the name of Imperial Resources, Incorporated on September 3, 2007 per TCT N-307207 issued by the Register of Deeds of



Quezon City. Aside from the subscription of P400 million paid for in real estate property, cash advances amounting to P8.89 million, P4.5 million and P915 thousand were received from the former President for the years 2015, 2014 and 2013, respectively. The shareholders have paid their unpaid subscription amounting to P150,000 and P100,436 for the years 2018 and 2016, respectively.

As discussed in Note 2, the Laperal family and LTC Real Estate Corporation committed to support and fund the said projects. LTC Real Estate Corporation, a shareholder, had provided cash advances amounting to P6,521,000, P9,264,000, and P7,279,000 (Note 20) for the years ended December 31, 2020, 2019 and 2018, respectively. Given the financial condition of the Parent Entity and Subsidiary, the shareholders do not demand immediate repayment of their advances to the Parent Entity and Subsidiary.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below to facilitate understanding of the data presented in the consolidated financial statements. These policies have been consistently applied, unless otherwise stated.

#### **3.1 Basis of preparation and statement of compliance**

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

These consolidated financial statements have been prepared under the historical cost convention except for certain assets measured at fair value. The consolidated financial statements are presented in Philippine Peso, the Parent Entity and Subsidiary's functional currency.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Parent Entity and Subsidiary's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

#### **Basis of Consolidation**

These consolidated financial statements consist of the financial statements of Parent Entity and its Subsidiary as at and for the years ended December 31, 2020, 2019 and 2018. The financial statements of the Subsidiary are prepared for the same reporting period as the Parent Entity using consistent accounting policies.

#### ***Subsidiary***

Subsidiary is an entity that is controlled by another entity. Control is when the latter is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the Subsidiary.

The Parent Entity has the power to govern the financial reporting policies generally accompanying a shareholding of more than one-half of the voting rights of the Subsidiary. The Parent Entity obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Parent Entity controls another company. Consolidation begins from the date the Parent Entity obtains control of the Subsidiary and ceases when it loses control.

All intragroup balances, income and expenses and unrealized gains and losses from intragroup transactions are eliminated in full.

### *Non-controlling Interest*

Non-controlling interest represents the portion of profit or loss and other comprehensive income and the net assets not held by the Parent Entity and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the Parent Entity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

### 3.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations, which became effective beginning January 1, 2020. The adoption of these new and amended standards and interpretations did not have significant impact on the Parent Entity and Subsidiary's financial statements.

#### 3.2.1 New standards, amendments to existing standards and interpretation effective in the current year and are relevant to the Company's operations

Amendments to PFRS 3, *Definition of a Business* – The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* - these amendments which use a consistent definition of materiality throughout PFRSs and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in PAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose.

## Revised Conceptual Framework for Financial Reporting

The International Accounting Standards Board (IASB) has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting,
- reinstating prudence as a component of neutrality,
- defining a reporting entity, which may be a legal entity, or a portion of an entity,
- revising the definitions of an asset and a liability,
- removing the probability threshold for recognition and adding guidance on derecognition,
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

### 3.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 3.3.1 Classification

The Parent Entity and Subsidiary classify financial assets and liabilities according to the categories described below. Management determines the classification of the financial assets and liabilities at initial recognition.

##### 3.3.1.1 Financial assets

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Parent Entity and Subsidiary's business model for managing them. The Parent Entity and Subsidiary classify financial assets in the following categories:

##### *a. Financial assets at amortized cost*

Financial assets at amortized cost are debt instruments where contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The Parent Entity and Subsidiary's financial assets classified under this category consist of cash and cash equivalents, other receivables and refundable deposit.

**b. *Financial assets at fair value through other comprehensive income (FVOCI)***

Financial assets at fair value through OCI comprise:

- *Debt instruments* where contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and selling financial instruments.
- *Equity instruments* which are not held for trading and which the Parent and Subsidiary has irrevocably elected at initial recognition to recognize in this category. This election is made on an instrument-by-instrument basis.

The Parent Entity and Subsidiary's financial asset under this category consists of investment in stocks quoted in active market. The Parent Entity and Subsidiary elected to measure it at fair value through other comprehensive income.

**c. *Financial assets at fair value through profit or loss (FVPL)***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The Parent Entity and Subsidiary has no financial assets under this category.

**3.3.1.2 Financial Liabilities**

The Parent Entity and Subsidiary classify financial liabilities in the following categories:

**a. *Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Entity and Subsidiary that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Parent Entity and Subsidiary has no financial liabilities under this category.

**b. *Financial liabilities at amortized cost***

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are subsequently measured at amortized cost. They contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than exchange of a fixed amount of cash. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting period which are classified in non-current liabilities.

The Parent Entity and Subsidiary's financial liabilities classified under this category consist of accruals and other payables (except payable to government agencies) and advances from shareholders.

**3.3.2 Recognition and measurement**

**a. *Initial recognition and measurement***

Except for trade receivables that do not contain a significant financing component which are measured at the transaction price, the Parent Entity and Subsidiary initially measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

If the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, the Parent Entity and Subsidiary shall recognize the difference as a gain or loss.

Regular way purchases and sales of financial assets are recognized on the trade-date, e.g., the date on which the Parent Entity and Subsidiary commits to purchase or sell the asset.

**b. *Subsequent measurement***

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

For equity instruments designated at fair value through OCI, gains and losses are never recycled to profit or loss. Dividends are recognized as income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets or liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of comprehensive income.

### **3.3.3 Derecognition**

#### **3.3.3.1 Financial assets**

The Parent Entity and Subsidiary shall derecognize a financial asset only when:

- (a) the contractual rights to the cash flows from the financial assets have expired, or
- (b) the Parent Entity and Subsidiary transfers to another party substantially all of the risks and rewards of ownership of the financial assets, or
- (c) the Parent Entity and Subsidiary, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Parent Entity and Subsidiary shall:
  - (i) derecognize the asset, and
  - (ii) recognize separately any rights and obligations retained or created in the transfer.

The carrying amount of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognized and derecognized in accordance with this paragraph shall be recognized in profit or loss in the period of the transfer.

#### **3.3.3.2 Financial liabilities**

The Parent Entity and Subsidiary shall derecognize a financial liability (or a part of a financial liability) only when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled, or has expired.

#### **3.3.4 Impairment of financial assets**

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

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

For financial assets at amortized costs being individually assessed for ECLs, the Parent Entity and Subsidiary applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Parent Entity and Subsidiary considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Parent Entity and Subsidiary may also consider a financial asset to be in default when internal or external information indicates that the Parent Entity and Subsidiary is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Entity and Subsidiary. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 3.3.5 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, wherein the related assets and liabilities are presented at gross in the consolidated statements of financial position.

### 3.3.6 Fair value of financial instruments

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

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

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

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions,
- Reference to the current fair value of another instrument that is substantially the same, and
- A discounted cash flow analysis or other valuation models.

### 3.3.7 Fair value hierarchy

The Parent Entity and Subsidiary classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation technique used to value these financial instruments is discounted cash flow analysis.

### 3.4 Cash and cash equivalents

Cash, which includes cash on hand and deposits held at call with banks and carried in the consolidated statement of financial position at face value, are unrestricted and immediately available-for-use in the current operations.

Cash equivalents are short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and are subject to an insignificant risk of change in value.

### 3.5 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance and provision for impairment.

At the end of each reporting period, the carrying amounts of other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable.

### 3.6 Prepayments

Prepayments include advance payment for insurance, membership dues and subscription. These represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as these are consumed in operations or expire with the passage of time.



### 3.7 Investment in stocks

Upon initial recognition, the Parent Entity and Subsidiary can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of income. Dividends are recognized as other income in the statement of income when the right of payment has been established, except when the Parent Entity and Subsidiary benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Entity and Subsidiary elected to classify irrevocably its quoted equity securities under this category which are presented as Investment in stocks in the statements of financial position as at December 31, 2020, 2019 and 2018 (Note 11). Prior to adoption of PFRS 9, this financial asset was classified as AFS financial assets.

#### *AFS financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Certain shares held by the Parent Entity and Subsidiary are being classified as available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income is included in profit or loss for the period.

Available-for-sale financial assets are initially measured at transaction price and subsequently measured at fair value.

### 3.8 Property and equipment, net

Property and equipment, except land, are carried at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the assets to working condition for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Parent Entity and Subsidiary. All subsequent expenditures are recognized as expense in the period in which those are incurred.

Depreciation is computed using the straight-line method over estimated useful lives (EUL) of the related assets as follows:

	EUL
Building	15
Transportation equipment	5
Welding equipment	5
Office equipment	3
Office furniture and fixture	3

The useful lives and depreciation method are reviewed at each reporting period to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. When assets are retired or otherwise disposed of, the cost, related accumulated depreciation and accumulated impairment losses are removed from the accounts and the resulting gain or loss, which is determined by comparing the proceeds with carrying amount, is recognized to the statements of comprehensive income. Fully depreciated assets are retained in the accounts until they are no longer in use.

### 3.9 Investment property

This account represents parcel of land which is initially carried at cost. Cost includes the acquisition cost of the land plus incidental costs incurred in effecting the transfer of title of the property and other necessary expenses incurred in the acquisition.

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes, or
- (b) sale in the ordinary course of business.

Investment property is recognized as an asset when and only when: (a) it is probable that the future economic benefits that are associated with the investment property will flow to the entity, and (b) the cost of the investment property can be measured reliably.

After initial recognition, investment property is measured either by the fair value model or by the cost model and shall apply that policy to all of its investment property. Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statements of comprehensive income in the year of retirement or disposal.

The fair value of investment property shall reflect market conditions at the reporting date. A gain or loss arising from the change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The Parent Entity and Subsidiary shall continue to measure the property at fair value until disposal (or until the property becomes owner-occupied property or the Company begins to develop the property for subsequent sale in the ordinary course of business) even if comparable market transactions become less frequent or market prices become less readily available.

### 3.10 Exploration and evaluation assets

Exploration and evaluation assets are measured at cost. The following are expenditures that are included in the initial measurement of exploration and evaluation assets (a) acquisition of rights to explore, (b) topographical, geological, geochemical and geophysical studies, (c) exploratory drilling, (d) trenching, (e) sampling, and (f) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. After initial recognition, the Parent Entity and Subsidiary shall either use the cost model or the revaluation model. If the revaluation model is applied, it shall be consistent with the classification of assets. The exploration and evaluation assets are classified as tangible or intangible. When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets are reclassified to property and equipment account.

The Parent Entity and Subsidiary uses cost model as its subsequent measurement of exploration and evaluation assets - assets are carried at cost less accumulated impairment losses.

Exploration and evaluation assets are measured for impairment when facts or circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Parent Entity and Subsidiary measures, presents and discloses any resulting impairment loss. The Parent Entity and Subsidiary is still in the exploration stages and evaluation of mineral resources.

### 3.11 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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 between the assets' net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the estimated cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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. An impairment loss is charged to expense immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognized revaluation surplus for the same asset.

Non-financial assets include prepayments (Note 10), property and equipment, net (Note 12), investment property (Note 13), and exploration and evaluation assets (Note 14).

There were no impairment losses on non-financial assets as at December 31, 2020, 2019 and 2018.

### 3.12 Refundable deposit

This account pertains to refundable deposit for welding equipment which is stated at amortized cost less any impairment in value.

### 3.13 Related party transactions and relationships

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 their shareholders.

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

Advances from shareholders are initially recorded at transaction price and are subsequently measured at amortized cost using the effective interest method.

During the consolidation process, due from subsidiary/due to parent company amounting to P24,175,934 is eliminated.

### 3.14 Operating segment

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 the transactions with other components of the same entity), (b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess the performance, and (c) for which discrete financial information is available.

### 3.15 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable nor deductible. The Parent Entity and Subsidiary's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as at the reporting date.

### *Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

The balance sheet liability method focuses on temporary differences, which are the differences between the amount attributed to an asset or liability for tax purposes (tax base) and the carrying amount of that asset or liability in the statements of financial position.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess of the minimum corporate income tax (MCIT) over the regular corporate income tax 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 carry forward of unused MCIT and unused NOLCO can be utilized.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Parent Entity and Subsidiary intends to settle the current tax assets and liabilities on a net basis.

Current tax and deferred tax shall be recognized outside profit or loss if the tax relates to items that are recognized, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognized, in the same or a different period:

- (a) in other comprehensive income, shall be recognized in other comprehensive income,
- (b) directly in equity, shall be recognized directly in equity.

### 3.16 Accruals and other payables

Accruals and other payables are recognized in the period in which the money or services are received, or when a legally enforceable claim against the Parent Entity and Subsidiary is established, or when the corresponding assets and expenses are recognized/incurred.

Accruals and other payables are measured at fair value less any directly attributable transaction cost and subsequently measured at amortized cost using the effective interest method. Accruals and other payables are derecognized when extinguished.

### 3.17 Provisions

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

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

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

There were no provisions recognized for the years ended December 31, 2020, 2019 and 2018.

### 3.18 Contingencies

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

There were no contingent liabilities/assets for disclosures as at December 31, 2020, 2019 and 2018.

### 3.19 Equity

Share capital is determined using the nominal value of shares that have been issued and fully paid.

Other comprehensive income (loss) pertains to remeasurement on retirement benefits payable.

Retained earnings (deficit) include current and prior period results of operations as disclosed in the statement of changes in equity.

### 3.20 Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable in exchange for the service in the ordinary course of the Parent Entity and Subsidiary's activities. The Parent Entity and Subsidiary recognizes revenue when the amount of revenue is collectible, and it has met the requirements of the 5-step approach of PFRS 15.

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 Parent Entity and Subsidiary performs its obligations; (b) the Parent Entity and Subsidiary's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Parent Entity and Subsidiary's performance does not create an asset with an

alternative use to it and the Parent Entity and Subsidiary has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Parent Entity and Subsidiary is in the business of mining. This account comprises the revenue from sales of asphalt, gold and other precious metal produced, sold and payment received from the mining concessions and services rendered when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

To date, the Parent Entity has no product to sell and services to render since it is still in the pre-development and pre-exploration stage of the mining project and the Subsidiary being in the status of dormancy but has entertained inquiries or proposals to lease its building in Baguio City thus, management is looking at a possible rental income.

(i) Interest income

Interest income on bank deposits is presented when earned, net of final tax. Interest income on salary loan is recognized when earned.

(ii) Cost and expenses

Direct costs and expenses are recorded when incurred.

3.21 Employees costs

*Short-term employee benefits*

Short-term employee benefits are employees' benefits (other than termination benefits) which fall due wholly within twelve (12) months after the end of the period in which the employees render the related service. It includes salaries, wages, social security contributions, paid annual leaves and paid sick leave profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits for current employees. Currently, the Parent Entity and Subsidiary's employees are entitled to all the above-mentioned short-term benefits except profit sharing.

*Retirement benefits*

Retirement benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

The Parent Entity and Subsidiary has unfunded defined benefit retirement plan for qualified employees. For purposes of determining its costs and obligation, the Company considers the minimum requirement of Republic Act 7641 (the Retirement Law) of the Philippines. Under Republic Act 7641 (known as the Retirement Pay Law), in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a Company, may retire and shall be entitled to retirement pay equivalent to at least  $\frac{1}{2}$  month salary for every year of service, a fraction of at least 6 months being considered as one (1) whole year. The term "One-half month salary" includes the following:

- a. Fifteen days salary based on the latest salary rate;
- b. Cash equivalent of five days or service incentive leave (or vacation leave); and

- c. One-twelfth of the 13<sup>th</sup> month pay (where the 13<sup>th</sup> month pay is the total basic salary for the last twelve months of the service divided by twelve)

The Parent Entity and Subsidiary's net obligation in respect of the defined benefit retirement plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current year and prior year periods. The benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at financial reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Parent Entity and Subsidiary's obligation. The current calculation is performed by a qualified actuary using the projected unit credit method.

Retirement benefits expense comprises the following:

- a. Service cost,
- b. Net interest on the net defined benefit liability,
- c. Remeasurements of net defined benefit liability.

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

### 3.22 Leases

The Parent Entity and Subsidiary assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

#### *Company as a Lessee*

The Parent Entity and Subsidiary applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

The Parent Entity and Subsidiary recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).



Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and the estimated costs to be incurred in dismantling and removing the underlying asset or restoring it to the condition required by the contract.

If ownership of the leased asset transfers to the Parent Entity and Subsidiary at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### *Lease liabilities*

At the commencement date of the lease, the Parent Entity and Subsidiary recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Entity and Subsidiary and payments of penalties for terminating the lease, if the lease term reflects the Parent Entity and Subsidiary exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Entity and Subsidiary uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Parent Entity and Subsidiary applies the short-term lease recognition exemption to its short-term lease of office space. It has no other lease which will be classified as low value asset. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

#### 3.23 Foreign currency transactions

In preparing the Parent Entity and Subsidiary's consolidated financial statements, transactions in foreign currencies other than its functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currency are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair values are determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Foreign currency gain or loss resulting from the settlement of such transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

### 3.24 Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the income (loss) for the year attributable to the common shareholders of the Parent Entity by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any. The Corporation Code of the Philippines under Section 137 defines outstanding capital stock as the total shares of stock issued under binding subscription agreements to subscribers or stockholders, whether or not fully or partially paid except treasury shares.

For the purpose of calculating diluted earnings (loss) per share, profit (loss) for the year attributable to ordinary equity holders of the Parent Entity and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

### 3.25 Subsequent events

The Parent Entity and Subsidiary identify subsequent events as events that occur after the reporting date but before the date when the consolidated financial statements are authorized for issue. Any subsequent events that provide additional information about the Parent Entity and Subsidiary's consolidated financial position at the reporting date are reflected in the consolidated financial statements.

Non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

Details of the subsequent events are disclosed in Note 29.

## **NOTE 4 - CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The primary objective of the Parent Entity and Subsidiary on capital management is to ensure their ability to continue as a going concern and to provide adequate returns and benefits to shareholders and other stakeholders by operating with guidance of high technical services and pursue the long-term outlook of management to deliver long term growth and profits.

The Parent Entity and Subsidiary manages the following capital as shown in the statements of changes in equity:

		Note	2020	2019	2018
Authorized capital	<u>1,800,000,000</u>	20			
Subscribed capital	<u>652,500,000</u>	20			
Paid-up capital		20	636,563,546	636,563,546	636,563,546

The Parent Entity and Subsidiary monitor capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position.

Measurement of the Parent Entity and Subsidiary's financial leverage is summarized as follows:

	2020	2019	2018
Total liabilities	55,200,696	48,595,377	41,223,110
Total equity	829,535,412	796,884,279	799,234,167
Debt-to-equity ratio	0.0665:1	0.0610:1	0.0515:1

The Parent Entity and Subsidiary's Board of Directors has overall responsibility for monitoring capital in proportion to risk. Profiles or capital ratios are set in the light of changes in its external environment and the risks underlying its business, operations, and industry.

The Parent Entity and Subsidiary define capital as paid-up share capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock are excluded from capital for purposes of capital management.

The Parent Entity and Subsidiary set the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. Parent Entity and Subsidiary manage the capital structure and make adjustment in the light of changes in economic conditions and the risk characteristics of the underlying asset.

The Parent Entity and Subsidiary is not subject to externally imposed capital requirements.

#### **NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

These consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

##### **5.1 Critical management judgments in applying accounting policies**

In the process of applying the Parent Entity and Subsidiary's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

##### **a. Functional currency**

The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Parent Entity and Subsidiary measures the performance and reports the results of the operations.

##### **b. Lease agreements (prior to January 1, 2019)**

The Parent Entity and Subsidiary has entered into several lease agreements. Critical judgment was exercised to distinguish each lease agreement as either operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Based on the existing lease agreements, the Parent Entity and Subsidiary has classified its lease as operating lease for the years ended December 31, 2020, 2019 and 2018 (Note 24).

c. Determining the lease term of contracts with renewal and termination options (effective January 1, 2019)

The Parent Entity and Subsidiary determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Parent Entity and Subsidiary has several lease contracts that include extension and termination options. The Parent Entity and Subsidiary applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Entity and Subsidiary reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Parent Entity and Subsidiary renewal options for leases under Note 24 are not included as part of the lease term because it needs mutual agreement of both parties prior to the expiration of the agreements. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

d. Provisions

Provisions for liabilities are recognized when the Parent Entity and Subsidiary have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

There were no provisions recognized as at December 31, 2020, 2019 and 2018.

e. Contingencies

Contingent liabilities are not recognized in the Parent Entity and Subsidiary's financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in Note 28. There were no contingent assets for disclosure.

## 5.2 Critical accounting estimates and assumptions

### a. Estimated useful lives (EUL) of property and equipment

The management estimates the useful lives of property and equipment based on the period in which the assets are expected to be available for use. The EUL of the property and equipment (Note 3.8) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on the Parent Entity and Subsidiary's collective assessment of industry practice, internal evaluation and experience with similar assets. It is possible, however, that the future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these circumstances. A reduction in the EUL of property and equipment would increase recorded operating expenses and decrease non-current assets.

Depreciation expense amounted to P3,132, P7,712, and P20,547 (Note 12) for the years ended December 31, 2020, 2019 and 2018, respectively.

### b. Impairment of property and equipment

The Parent Entity and Subsidiary perform an impairment review when certain impairment indicators are present. Purchase accounting requires extensive use of accounting estimates and judgment to allocate the purchase price to the fair market values of the assets purchased and liabilities assumed.

Determining the fair value of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Parent Entity and Subsidiary to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the consolidated financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Parent Entity and Subsidiary believe that their assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying value of property and equipment amounts to P2, P3,134, and P10,846 (Note 12) as at December 31, 2020, 2019 and 2018, respectively.

Based on management's assessment, some fully depreciated equipment amounting to P4,946,580, P4,876,201, and P4,741,431 (Note 12) for the years ended December 31, 2020, 2019 and 2018, respectively, are already destroyed and unserviceable, hence, derecognized in the books.

c. Revaluation of investment property

The Parent Entity and Subsidiary has adopted the fair value approach in determining the carrying value of its investment property. While the Parent Entity and Subsidiary has opted to rely on independent appraisers to determine the fair value of its investment property, such fair value was determined based on recent prices of similar property, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Parent Entity made different judgments and estimates or utilized different basis for determining fair value (Note 3.9).

The fair value of investment property is P830,000,000, P790,500,000, and P785,000,000 (Note 13) as at December 31, 2020, 2019 and 2018, respectively.

Gain from investment property revaluation amounting to P39,500,000, P5,500,000, and P235,000,000 (Note 13) related to investment property is recognized for the year ended December 31, 2020, 2019 and 2018, respectively.

d. Recoverability of exploration and evaluation of assets

Exploration and evaluation costs are recognized as assets in accordance with PFRS 6, Exploration for and Evaluation of Mineral Resources. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific mining reserve.

The application of the Parent Entity and Subsidiary's accounting policy for exploration and evaluation assets requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after the exploration and evaluation assets are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available.

The Parent Entity and Subsidiary reviews the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. The factors that the Parent Entity and its Subsidiary's considers important which could trigger an impairment review of exploration and evaluation assets include the following:

- the period for which the Parent Entity and its Subsidiary has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mining reserve in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mining reserve in the specific area have not led to the discovery of commercially viable mining reserve and the Parent Entity and Subsidiary decided to discontinue such activities in the specific area; and

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Parent Entity and Subsidiary determines impairment of projects based on the assessment of the technical group of its Indonesian partner or based on management's decision not to pursue any further commercial development of its exploration projects.

There were no impairment losses recognized for the years ended December 31, 2020, 2019 and 2018.

e. Impairment of non-financial assets

The Parent Entity and Subsidiary's policy on estimating the impairment of non-financial assets is discussed in Note 3.11. Though management believes that the assumptions used in estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized for the years ended December 31, 2020, 2019 and 2018.

f. Estimated retirement benefits

The determination of the Parent Entity and Subsidiary's obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions are, and include, among others, discount rate and salary increase rate. In accordance with PAS 19 (Revised), actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

PAS 19 (Revised) also requires retrospective application which means that minimum disclosure requirements shall be made in comparative period as well as the current period.

The retirement benefit expense, liability and detailed discussion of sensitivity analysis are discussed in Note 19.

g. Income taxes

A certain degree of significant judgment is required in determining the provision for income taxes as there are certain transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The income tax benefit deferred recognized for the years ended December 31, 2020, 2019 and 2018 amounted to P238,658, (P103,937), and (P99,916) (Note 16), respectively.



#### h. Recognition of deferred tax assets

The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. The Parent Entity and Subsidiary's assessment on the recognition of deferred tax assets on deductible temporary differences, and the carryforward benefits of excess MCIT and NOLCO is based on the forecasted taxable income of the future years. This forecast is based on the Parent Entity and Subsidiary's past results and future expectations on revenue and expenses.

The carrying values of deferred tax assets, which the management assessed to be fully utilized within the next two (2) three (3) years amounts to P1,199,398, P1,347,887, and P1,305,307 (Note 16) as at December 31, 2020, 2019 and 2018, respectively. The Company also has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT for which no deferred income tax asset was recognized (Note 16).

### **NOTE 6 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Parent Entity and Subsidiary are exposed to a variety of financial risks: credit risk, liquidity risk, market risk, fair value estimation and fair value hierarchy. The Parent Entity and Subsidiary's overall risk management program seek to minimize potential adverse effects on its financial performance and to make an optimal contribution to its revenues by managing these risks. The Parent Entity and Subsidiary's risk management, vested thru the Board of Directors, focuses on actively securing their short to medium-term cash flows by minimizing the exposure to financial risks. Long-term financial investments are managed to generate lasting returns.

The Parent Entity and Subsidiary's response to the risks and challenges they face are as follows:

- To explore less risky exploration and exploitation of minerals,
- Shorten exploration period and look for the most economical ways to explore and to conduct the latest geological and geophysical techniques to minimize the risks of exploration,
- To engage experts to utilize proven hedge and financial initiatives to mitigate and minimize inherent risks of the volatility of commodities, and
- To place importance in community welfare and community relationship.

The policies of managing specific risks are summarized below:

#### Financial risk factors

The Parent Entity and Subsidiary's financial assets and liabilities, comprising mainly of cash and cash equivalents, other receivable, deposit, investment in stocks, accruals and other payables (except payable to government agencies) and advances from shareholders are exposed to a variety of financial risks. The management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks in the Parent Entity and Subsidiary's financial performance.



## 6.1 Credit risk management

Credit risk refers to the risk that a counterparty will default on its obligations resulting in financial loss to the Parent Entity and Subsidiary. The Parent Entity and Subsidiary have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated financial statements or in the detailed analysis provided in the notes to consolidated financial statements, as summarized below:

2020	Note	Carrying amount	Neither past due nor impaired	Past due but not impaired
Cash and cash equivalents*	8	2,900,333	2,900,333	-
Other receivables	9	6,862	6,862	-
Investment in stocks	11	80,000	80,000	-
Refundable deposit	15	45,000	-	45,000
		3,032,195	2,987,195	45,000

2019	Note	Carrying amount	Neither past due nor impaired	Past due but not impaired
Cash and cash equivalents*	8	2,975,024	2,975,024	-
Other receivables	9	14,354	14,354	-
Investment in stocks	11	80,000	80,000	-
Refundable deposit	15	45,000	-	45,000
		3,114,378	3,069,378	45,000

2018	Note	Carrying amount	Neither past due nor impaired	Past due but not impaired
Cash and cash equivalents*	8	3,449,977	3,449,977	-
Other receivables	9	36,800	36,800	-
Investment in stocks	11	80,000	80,000	-
Refundable deposit	15	45,000	-	45,000
		3,611,777	3,566,777	45,000

\*Excluding cash on hand and petty cash fund

None of the above financial assets are used for collateral or other credit enhancements.

Accordingly, the Parent Entity and Subsidiary have assessed the quality of the following financial assets:

1. The credit risk for cash and cash equivalents is assessed as low risk since cash are deposited in reputable banks which have low probability of insolvency.
2. Other receivables pertain to receivable from employees and accrued interest from time deposit. The credit risk is assessed as low risk since it is collected thru salary deduction and deposited in reputable bank which has low probability of insolvency.

3. The maximum exposure to credit risk of the Company from the investment in stock is equivalent to the fair value of the shares in the PSE as at the reporting date.
4. The Parent Entity and Subsidiary's refundable deposit is presented as non-current asset as it is not expected to be refunded within the next twelve (12) months. The risk associated with the refundable deposit is very low since the amount can be collected upon the return of the gas cylinder.

## 6.2 Liquidity risk management

Liquidity risk is the risk that the Parent Entity and Subsidiary will encounter difficulty in meeting obligations associated with financial liabilities.

As at December 31, 2020, 2019 and 2018, the Parent Entity and Subsidiary's financial liabilities have contractual maturities as follows:

	2020	Note	2020		2019		2018	
			3 to 12 months	More than 12 months	3 to 12 months	More than 12 months	3 to 12 months	More than 12 months
Accruals and other payables *	17		755,803	-	194,376	-	2,211,163	-
Advances from shareholders	19		-	50,433,840	-	43,862,840	-	34,598,840
			755,803	50,433,840	194,376	43,862,840	2,211,163	34,598,840

\* Excluding withholding taxes, documentary stamp tax, SSS, PHIC and HDMF payables

The total current assets exceeded the total current liabilities by P2,170,496, P2,791,704, and P1,270,525 as at December 31, 2020, 2019 and 2018, respectively, computed as follows:

	2020	2019	2018
Total current assets	2,939,360	3,031,287	3,543,776
Total current liabilities	768,864	239,583	2,273,251
	2,170,496	2,791,704	1,270,525

The Parent Entity and Subsidiary manage liquidity risk by maintaining adequate highly liquid assets in the form of cash and cash equivalents. Management has no knowledge of any other trends, demands, commitments, events, or uncertainties that would have material impact on the Parent Entity and Subsidiary's liquidity. It looks at its current assets as source of liquidity. A call on subscription receivable is an alternative to raise cash. The major shareholders have committed to pay their subscription payable to the Parent Entity as the need arises.

## 6.3 Market risk management

Market risk is the risk of loss to future earnings, to fair value or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

### 6.3.1 Interest rate and foreign currency risk

The Parent Entity and Subsidiary's exposure to the risk of changes in interest rates is minimal since the cash and cash equivalents have fixed interest rates not affected by interest rates in the market.

The Parent Entity and Subsidiary is exposed to foreign currency risk primarily with respect to the monetary assets denominated in US Dollar. The Parent Entity and Subsidiary's financial position and financial performance are affected by the movements in the Philippine Peso to US Dollar exchange rates. Foreign currency risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Parent Entity and Subsidiary's foreign currency denominated monetary asset is shown in Note 24.

As at December 31, 2020, if the Philippine Peso has weakened/strengthened by 0.14% against the US Dollar with all other variables held constant, loss for the year would have been lower/higher by (P2,992) mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated net assets shown in Note 24. The 0.14% volatility is based on 30-day historical foreign currency fluctuations experienced by the Parent Entity and Subsidiary.

### 6.3.2 Other price risk sensitivity

The Parent Entity and Subsidiary's market price risk arises from available-for-sale financial asset which is carried at fair value. It manages its risk by monitoring the changes in the market price of the investments.

For the equity securities, there was no available market value in PSE due to the continuous suspension of Philcomsat Holdings Corporation (PHC).

### 6.4 Fair value estimation of financial assets and liabilities

The carrying amounts of financial assets and liabilities which approximate fair values as presented in the consolidated statements of financial position are shown below:

		2020		2019		2018	
	Note	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Financial assets:							
Cash and cash equivalents*	8	2,900,333	2,900,333	2,975,024	2,975,024	3,449,977	3,449,977
Other receivables	9	6,862	6,862	14,354	14,354	36,800	36,800
Investment in stocks	11	80,000	80,000	80,000	80,000	80,000	80,000
Refundable deposit	15	45,000	45,000	45,000	45,000	45,000	45,000
		3,032,195	3,032,195	3,114,378	3,114,378	3,611,777	3,611,777
*Excluding cash on hand and petty cash fund							
Financial liabilities:							
Accruals and other payables*	17	755,803	755,803	194,376	194,376	2,211,163	2,211,163
Advances from shareholder	19	50,433,840	50,433,840	43,862,840	43,862,840	34,598,840	34,598,840
		51,189,643	51,189,643	44,057,216	44,057,216	36,810,003	36,810,003

*\*Excluding withholding taxes, documentary stamp tax, SSS, PHIC and HDMF payable.*

### 6.5 Fair value hierarchy of financial assets that are measured at fair value on a recurring basis

Financial Assets	Fair Values as at			Fair Value Hierarchy	Valuation Technique(s) / Key input(s)	Significant unobservable input(s)
	12/31/2020	12/31/2019	12/31/2018			
Investment in stocks	80,000	80,000	80,000	Level 3	Discounted cash flows	Not applicable

Investment in stocks has no available market values since 2010. The carrying amount is the approximate fair value.

### 6.6 Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Financial Assets / Financial Liabilities	Fair Values as at			Fair Value Hierarchy	Valuation Technique(s) / Key input(s)	Significant unobservable input(s)
	12/31/2020	12/31/2019	12/31/2018			
Cash and cash equivalents*	2,900,333	2,975,024	3,449,977	Level 3	Discounted cash flows	Not applicable
Other receivables	6,862	14,354	36,800	Level 3	Discounted cash flows	Not applicable
Investment in stocks	80,000	80,000	80,000	Level 3	Discounted cash flows	Not applicable
Refundable deposit	45,000	45,000	45,000	Level 3	Discounted cash flows	Not applicable
Accruals and other payables**	755,803	194,376	2,211,163	Level 3	Discounted cash flows	Not applicable
Advances from shareholders	50,433,840	43,862,840	34,598,840	Level 3	Discounted cash flows	Not applicable

\* Excluding cash on hand and petty cash

\*\* Excluding withholding taxes, documentary stamp tax, SSS, PHIC and HDMF payable

## NOTE 7 - OPERATING SEGMENT

An operating segment is a component of the Parent Entity and Subsidiary that (a) 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.

In 2009, with the interest of the Parent Entity and Subsidiary in mining, this business segment can be reported as an operating segment even though it is still in its exploratory stage. The business segment is organized and managed separately according to the nature of the services provided. A segment asset includes all operating assets used by a segment and consists of supplies, deposits, exploration and evaluation assets, property and equipment (net of accumulated depreciation).

With the granting of the rights of exploration, exploitation, development, and operation of the mining concessions in Indonesia, information about this mining business segment is as follows:

	Note	2020	2019	2018
Mining business segment		None to report	None to report	None to report
Segment assets				
Exploration and evaluation asset	14	50,472,348	50,472,348	50,472,348

#### NOTE 8 - CASH AND CASH EQUIVALENTS

This account consists of:

	2020	2019	2018
Cash equivalents	2,044,667	2,156,545	2,231,455
Cash in banks	855,666	818,479	1,218,522
Cash on hand	3,670	422	14,969
Petty cash fund	4,000	4,000	4,000
	2,908,003	2,979,446	3,468,946

Cash in banks generally earn interest at prevailing bank deposit rates. Cash equivalents are placements good for thirty-five (35) days with one local bank depending on the immediate cash requirements and earn interest at the prevailing short-term deposit rate of 0.50% per annum. Due to the short-term nature of such transactions, the carrying value approximates fair value of the temporary cash investments.

Total interest income from bank deposits for the years ended December 31, 2020, 2019 and 2018 amounts to P3,098, P9,770, and P9,958, respectively.

Unrealized foreign exchange gain (loss), net recognized in the statements of comprehensive income due to restatement of the cash in bank and cash equivalents dollar accounts amounted (P122,961), (P89,603), and P125,631 (Note 23) for the years ended December 31, 2020, 2019 and 2018, respectively.

#### NOTE 9 - OTHER RECEIVABLES

This account consists of:

	2020	2019	2018
Accrued interest on time deposit	17	662	289
Salary loan receivable	-	13,692	36,511
Other receivables	6,845	-	-
	6,862	14,354	36,800

Salary loan earns an interest rate of 16% per annum payable on a monthly/semi-monthly installment. Interest income recognized for the years ended December 31, 2019, and 2018 amounts to P4,767 and P13,633, respectively.

Other receivables pertains to proportion on salary loans of the employee of Filipinas Golf Country Club, Inc. as a co-maker of the promissory note.

The Parent Entity and Subsidiary believes that the carrying amount of other receivables approximates fair value due to its short-term nature.

#### **NOTE 10 - PREPAYMENTS**

This account pertains to advance payments on the Parent Company's cars insurance coverage, membership fees and subscription which are unexpired amounting to P24,495, P37,487, and P38,030 as at December 31, 2020, 2019 and 2018, respectively.

#### **NOTE 11 - INVESTMENT IN STOCKS**

Investment in stocks measured at fair value through OCI consists of the following as at December 31, 2020:

	2020	2019	2018
Quoted equity instruments			
Philcomsat Holdings Corp.	80,000	80,000	80,000

There was no available market value of Philcomsat Holdings Corporation (PHC) as at December 31, 2020, 2019 and 2018 due to its suspension by the Philippine Stock Exchange (PSE) since December 21, 2007.

On December 3, 2008 the Corporation Finance Department of the SEC issued an order of suspension of PHC's Registration of Securities for violation of SRC Rules 17.1 (1) (A) (i) & (ii) due to its continuing failure to file its 2006 and 2007 annual reports as well as its 1st, 2nd and 3rd quarterly reports for 2007. As at December 31, 2019, the suspension has not been lifted. PHC is a subject of intra-corporate controversies. Due to unavailability of a market price, a valuation technique could be used to establish its fair value. Valuation techniques include using arm's length market transactions between knowledgeable parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. However, due to intra-corporate controversies which PHC has been involved in for several years now, management has decided to take a conservative stand and provide a 90% allowance based on cost for the impairment of its investment. No fair value gain (loss) was recognized in 2020, 2019 and 2018.

Due to suspension in PSE, there is no available market value of Philcomsat Holdings Corporation (PHC), thus, there is no net accumulated unrealized gain on financial assets at FVOCI as at December 31, 2020, 2019 and 2018.

## NOTE 12 - PROPERTY AND EQUIPMENT, NET

Details of property and equipment as at December 31, 2020, 2019 and 2018 are as follows:

	Building	Transportation equipment	Welding Equipment	Office equipment	Office furniture and fixture	Total
<b>Gross carrying value:</b>						
January 1, 2018	2,193,697	1,150,000	1,397,734	133,554	134,770	5,009,755
Disposals	-	-	-	(24,375)	-	(24,375)
December 31, 2018	2,193,697	1,150,000	1,397,734	109,179	134,770	4,985,380
Disposals	-	-	-	(38,800)	-	(38,800)
December 31, 2019	2,193,697	1,150,000	1,397,734	70,379	134,770	4,946,580
Disposals	-	-	-	-	-	-
December 31, 2020	2,193,697	1,150,000	1,397,734	70,379	134,770	4,946,580
<b>Accumulated depreciation:</b>						
January 1, 2018	2,193,696	1,150,000	1,397,734	107,203	129,729	4,978,362
Depreciation	-	-	-	16,767	3,780	20,547
Disposals	-	-	-	(24,375)	-	(24,375)
December 31, 2018	2,193,696	1,150,000	1,397,734	99,595	133,509	4,974,534
Depreciation	-	-	-	6,451	1,261	7,712
Disposals	-	-	-	(38,800)	-	(38,800)
December 31, 2019	2,193,696	1,150,000	1,397,734	67,246	134,770	4,943,446
Depreciation	-	-	-	3,132	-	3,132
December 31, 2020	2,193,696	1,150,000	1,397,734	70,378	134,770	4,946,578
<b>Carrying value:</b>						
As at December 31, 2018	1	-	-	9,584	1,261	10,846
As at December 31, 2019	1	-	-	3,133	-	3,134
As at December 31, 2020	1	-	-	1	-	2

The above property and equipment have not been used as collateral for a loan.

There are no contractual commitment for the acquisition of property and equipment as at December 31, 2020, 2019 and 2018.

The gross carrying value of fully depreciated property and equipment still in use by the Parent Entity and Subsidiary amounted to P4,946,580, P4,876,201, and P4,741,431, as at December 31, 2020, 2019 and 2018, respectively.

## NOTE 13 - INVESTMENT PROPERTY

This represents the transfer value or consideration of the parcel of land which was used as full payment of the subscription of the President Oliverio G. Laperal, Sr. on the increase in authorized capital stock of the Parent Entity and Subsidiary amounting to P400 million. The parcel of land is located at 1004 EDSA, Quezon City with a land area of five thousand (5,000) sq.m. This investment property is covered by TCT No. N-307207 issued by the Land Registration Authority to Imperial Resources, Incorporated on September 3, 2007. An annotation on the title states that "the acquisition of the property described in this title/certificate is by virtue of tax free exchange pursuant to Section



40 C (2) of the National Internal Revenue Code (NIRC) of 1997 per Deed of Assignment of Real Property dated February 2, 2007”.

The Parent Entity and Subsidiary’s investment property is measured using the fair value model.

The fair value of the Parent Entity and Subsidiary’s investment property is as follows:

	2020	2019	2018
Fair value, January 1	790,500,000	785,000,000	550,000,000
Gain from investment property revaluation	39,500,000	5,500,000	235,000,000
Fair value, December 31	830,000,000	790,500,000	785,000,000

The value of the property is based on the appraisal made by Cuervo Appraisers, Inc., an independent appraiser accredited with SEC and determined using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar, or substitute properties and related market data establishes a value estimate by processes involving comparison. Based on the analysis and considering the location, size, shape and physical characteristics, highest and best use of the subject property, the appraiser’s report indicated that the fair market value of the land is P830,000,000 as at December 31, 2020. Appraisal of the property was also performed by an independent appraiser and determined the fair value of the property as at December 31, 2019 and 2018 amounting to P790,500,000, and P785,000,000 using the same approach.

The Parent Entity and Subsidiary assessed that the investment property is considered as capital asset under Sec. 39 (A) (1) of the NIRC subject to capital gains tax upon sale and the Parent Entity and Subsidiary does not intend to sell the property. Thus, the gain from the revaluation is considered as permanent difference in the income tax computation and no deferred tax liability is recognized (Note 16).

The above investment property has not been used as collateral for a loan.

Details of the Parent Entity’s investment property and information about the fair value hierarchy as at December 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 12/31/20
Investment property	-	830,000,000	-	830,000,000

There were no transfers between Level 1 and 2 during the year.



## NOTE 14 - EXPLORATION AND EVALUATION ASSETS

This account consists of:

	Acquisition of rights to explore	Geophysical studies	Total
<b>Gross carrying value:</b>			
January 1, 2018	11,795,500	38,676,848	50,472,348
Additions	-	-	-
December 31, 2018	11,795,500	38,676,848	50,472,348
Additions	-	-	-
As at December 31, 2019	11,795,500	38,676,848	50,472,348
Additions	-	-	-
As at December 31, 2020	11,795,500	38,676,848	50,472,348

On January 30, 2009, a Memorandum of Agreement was made by/and between the Parent Entity and PT. Aspal Buton Nasional granting the Parent Entity the exclusive right of exploration, exploitation, development and operation of the subject mining concessions. Upon signing of the Memorandum of Agreement, the amount deposited in September 2008 was recorded as Exploration and Evaluation Asset. In August 2009, payment for the cost of a geophysical survey was made amounting to US\$100,000. The acquisition of rights to explore and geophysical studies are expenditures which are included in exploration and evaluation assets. In May 2011 and August 2011, the amount of US\$120,000 and US\$100,000, respectively, were remitted to Mr. Eddy Surohadi for the account of PT. Aspal Buton Nasional and PT Indominas to fund the additional geological works/studies needed for the preparation of the project feasibility report and environmental impact report required pending conversion of PT Aspal Buton Nasional Exploration permit to development and exploitation permit. In February, 2012 US\$60,000 and another US\$60,000 in September were both remitted to Mr. Eddy Surohadi for the account of PT. Aspal Buton Nasional and PT Indominas to cover the budget required for additional geological works/studies needed for the preparation of the project feasibility report and environmental impact report for the mining concession area in Buton Island. In 2013, the Parent Entity remitted another US\$100,000 and US\$20,000 in April and November to secure extension on the lease of the mining concession in Buton Island. In 2014, the Parent Entity remitted the amount of US\$102,000 to Mr. Eddy Surohadi for obtaining informal approval for exploitation concession of the 1,722 hectares Waangu-Angu areas including the cost of the preparation of the required technical report on post-production program to restore most of the mined-over areas to usable condition. During the year 2015, the Company remitted US\$99,250 to Mr. Eddy Surohadi for the account of P.T. Aspal Buton and P.T. Indominas to cover the budget required for various technical and tax expenses on the CNC (Clean and Clear Certificate) IUP Production Program for the coverage area of 1,722 hectares. No remittances were made for the years ended December 31, 2020, 2019 and 2018. As discussed in Note 2, the Parent Entity is proceeding with caution and at the same time re-evaluating its Indonesian mining project owing to the precipitous fall in the world price of crude, the Parent Entity is at present inclined to pursue the said project for that reason the Indonesian partners have been continuously looking for foreign partners to invest capital needed after they have secured formal approval of the exploitation concession because of its viability. Further, the Board of Directors, in its special meeting on April 6, 2019, has approved the plan of the Company on the encouraging prospects of its, local and offshore, mining exploration in view of its economic import and despite rigorous government regulations.

The Parent Entity and Subsidiary is still in the exploration stages and evaluation of mineral resources, thus no amortization is recognized as at December 31, 2020.

#### NOTE 15 - REFUNDABLE DEPOSIT

This represents the gas cylinder deposit with Island Air Product Corporation amounting to P45,000 as at December 31, 2020, 2019 and 2018.

#### NOTE 16 - INCOME TAXES

The components of for income tax (expense) benefit-deferred reported in the statements of comprehensive income are as follows:

	2020	2019	2018
Income tax (expense) benefit - deferred	238,658	(103,937)	(99,916)

The deferred tax asset (DTA) on Net Operating Loss Carry-over (NOLCO) for the years ended December 31, 2020, 2019 and 2018 is computed as follows:

	2020	2019	2018
Consolidated income (loss) before income tax	33,100,187	(2,602,854)	227,699,602
Equity share in net loss of subsidiary - Parent Entity	237,056	348,963	217,167
Separate net loss of subsidiary	2,395	3,525	2,194
Profit (loss) before income tax	33,339,638	(2,250,366)	227,918,963
Adjustment:			
<i>Deductible expense:</i>			
Retirement benefits paid	(1,005,683)	-	-
Add (deduct):			
<i>Temporary differences:</i>			
Accrual of retirement benefits expense	210,155	354,833	333,991
Unrealized gain (loss) on foreign exchange in the previous year, realized in the current year	(89,603)	125,631	9,294
Unrealized loss (gain) on foreign exchange in the current year	122,961	89,603	(125,631)
<i>Permanent differences:</i>			
Interest income subject to final tax	(3,098)	(9,770)	(9,958)
Non-deductible penalties and surcharges	-	53,556	27,641
Gain from investment property revaluation unrealized	(39,500,000)	(5,500,000)	(235,000,000)
Net Operating Loss Carry-Over (NOLCO)	(6,925,630)	(7,136,513)	(6,845,700)
Tax rate	30%	30%	30%
Deferred tax asset (DTA) on NOLCO	(2,077,689)	(2,140,954)	(2,053,710)

Minimum corporate income tax (MCIT) payable for the years ended December 31, 2020, 2019 and 2018 is computed as follows:

	2020	2019	2018
Unrealized gain on foreign exchange realized in the subsequent year	-	125,631	9,294
Interest income on salary loan	-	-	4,767
Taxable income	-	125,631	14,061
MCIT rate	2%	2%	2%
MCIT payable	-	2,513	281

The Parent Entity and Subsidiary's income tax payable is computed as follows:

	2020	2019	2018
Normal income tax	-	-	-
MCIT	-	2,513	281
Higher - MCIT	-	2,513	281
Less: Income tax payment			
1st Quarter	-	-	-
2nd Quarter	-	-	-
3rd Quarter	-	-	(95)
Income tax payable	-	2,513	186

The Parent Entity and Subsidiary's deferred tax asset as at December 31, 2020, 2019 and 2018 is computed as follows:

		2020		2019		2018	
	Note	Tax base	DTA	Tax base	DTA	Tax base	DTA
<i>Temporary differences:</i>							
Retirement benefit obligation	18	3,997,992	1,199,398	4,492,954	1,347,887	4,351,019	1,305,307

Realization of future tax benefit related to DTA is dependent on the Parent Entity and Subsidiary's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion as to the amount of DTA recognized as at December 31, 2020, 2019 and 2018. Further, the Parent Entity and Subsidiary regularly reviews the recoverability of the DTA recognized. The DTA related to impairment loss on due from subsidiary, unrealized gain on foreign exchange, MCIT and NOLCO are not recognized since management believes that there is absence of virtual certainty that the DTA can be realized against future tax liabilities.

The movements in DTA for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
DTA balance at beginning of the year	1,347,887	1,305,307	1,247,358
DTA on retirement benefit obligation credited (charged to):			
Profit for the year	63,047	106,450	100,197
Other comprehensive income for the year	90,170	(63,870)	(42,248)
Reversal on DTA on retirement benefit paid	(301,705)	-	-
DTA balance at end of the year	1,199,398	1,347,887	1,305,307

The reconciliation of income tax expense (benefit) on profit from operations computed at the statutory income tax rate to the income tax benefits - deferred reflected in the statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Income tax expense (benefit) on profit from operations at the statutory income tax rate of 30%	9,869,891	(807,110)	68,243,689
Equity share in net loss of subsidiary			
Separate net loss of subsidiary	30%	30%	30%
Adjustments for:			
Interest income subjected to final tax	(929)	(2,931)	(2,987)
Non-deductible penalties and surcharges	-	16,067	8,292
Gain from investment property revaluation	(11,850,000)	(1,650,000)	(70,500,000)
Unrecognized DTA on impairment loss on due from subsidiary	132,000	132,000	132,000
Unrecognized DTA on unrealized gain (loss) on foreign exchange	10,007	64,570	(34,901)
Unrecognized DTA on NOLCO	2,077,689	2,140,954	2,053,710
Unrecognized DTA on MCIT	-	2,513	281
	238,658	(103,937)	(99,916)

The gain from investment property revaluation amounting to P39,500,000, P5,500,000, and P235,000,000 (Note 13) for the years ended December 31, 2020, 2019 and 2018, respectively, is considered as permanent difference, thus, no deferred tax liability has been provided.

The balance of NOLCO as at December 31, 2020 may be used by the Parent Entity and Subsidiary as additional deductions against their respective future taxable income. Similarly, the MCIT balance as at December 31, 2020 may be applied against future income tax liabilities of the Parent Entity and Subsidiary.

The balances of NOLCO and MCIT, with their corresponding years of expiration, are as follows:

Incurred for the year ended December 31	Available until December 31	NOLCO	MCIT
2020	2025	6,925,630	-
2019	2022	7,136,513	2,513
2018	2021	6,845,700	281
		28,771,257	5,446

Pursuant to the Revenue Regulations (RR) No. 25-2020 entitled "Rules and Regulations Implementing Section 4 (bbbb) of the Republic Act (RA) No. 11494, otherwise known as the "Bayanihan to Recover as One Act" Relative to Net Operating Loss Carry-Over (NOLCO) Under Section 34 (D) (3) of the National Internal Revenue Code (NIRC), As Amended", the net operating loss for the taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction ever after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

The Company is subject to the minimum corporate income tax (MCIT), computed at two-percent (2%) of gross income, as defined under the tax regulations. However, the Company is not liable to MCIT in 2020 since interest income from bank deposits is net of final tax.

#### NOTE 17 - ACCRUALS AND OTHER PAYABLES

This account consists of:

	2020	2019	2018
<b>Accruals</b>			
Taxes and licenses	495,000	-	1,984,821
Professional fees	183,450	180,680	184,680
Rent	57,649	-	-
Utilities	9,566	8,576	18,222
Dues & subscription	1,318	5,120	4,500
Security services	8,820	-	-
Others	-	-	18,940
	755,803	194,376	2,211,163
Withholding taxes payable	6,821	28,461	35,781
SSS, Philhealth, HDMF contributions and loan payabl	6,240	6,125	17,930
Documentary stamp tax payable	-	8,108	8,191
	768,864	237,070	2,273,065

Management believes that the carrying amounts of accruals and other payables approximate fair values because of their short-term nature.

Accruals and other payables are expected to be settled within the next twelve (12) months.

## **NOTE 18 - RETIREMENT BENEFITS**

As discussed in Note 3, the Parent Entity has applied *PAS 19 (Revised) - Employee Benefits* and the related consequential amendments. The Parent Entity has applied these amendments retrospectively and in accordance with the transitional provisions as set out in the PAS 19 (Revised) par. 173. These transitional provisions have an impact on future periods. The opening statement of financial position of the earliest comparative period presented (January 1, 2011) has been restated in accordance with *PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*.

The Parent Entity and Subsidiary does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The discount rate methodology was used to estimate the present value of the Parent Entity and Subsidiary's defined benefit obligation. The discount rate was determined in accordance with the Financial Reporting Standard Council [FRSC] approved Q&A 2008-01(Revised) document, which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero coupon rates, even though theoretically derived.

The valuation results are based on the employee data as of the valuation date as provided by the Company. The discount rate assumption is based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds as of the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

It is assumed that the Company initially applied the Amended Philippine Accounting Standard (PAS) No. 19(R) (as amended in June 11) on January 1, 2011. The Amended PAS 19(R) simplifies the reporting of the defined benefit cost by introducing the Net Interest Approach, which disaggregates the defined benefit cost into the following components: Service Cost (cost of services received), Net Interest (financing effect of paying for benefits in advance or in arrears), and Remeasurements (period-to-period fluctuations in the amounts of defined benefit obligations and plan assets).

Under the Net Interest Approach, Service Cost and Net Interest on the defined benefit liability (asset) are both recognized in Profit or Loss, while Remeasurements of the defined benefit liability (asset) are recognized outside profit or loss in Other Comprehensive Income (OCI).

It is further required by Amended PAS 19(R) that remeasurements in OCI shall not be reclassified to profit or loss in a subsequent period. Instead, the Company may either accumulate the remeasurements in OCI or transfer those amounts recognized in OCI within equity in accordance with Amended PAS 19(R).

The following information are based on the latest actuarial valuation report with December 31, 2020, 2019 and 2018 as the valuation date by an independent actuarial firm.

The movements in the present value of the retirement benefits payable recognized in the books are as follows:

	2020	2019	2018
Balance at beginning of the year	4,492,954	4,351,019	4,157,858
Interest cost	153,659	301,961	194,172
Current service cost	56,496	52,872	139,819
Remeasurements of retirement benefits payable	300,566	(212,898)	(140,830)
Benefits paid directly from book reserve	(1,005,683)	-	-
	3,997,992	4,492,954	4,351,019

The movements during the year in the retirement benefits payable recognized in the consolidated statements of financial position are as follows:

	2020	2019	2018
Balance at beginning of the year	4,492,954	4,351,019	4,157,858
Retirement benefits expense	210,155	354,833	333,991
Remeasurements of retirement benefits payable	300,566	(212,898)	(140,830)
Benefits paid directly from book reserve	(1,005,683)	-	-
	3,997,992	4,492,954	4,351,019

The amounts of retirement benefits expense for the years ended December 31, 2020, 2019 and 2018 recognized in the statements of comprehensive income are as follows:

	2020	2019	2018
Interest cost	153,659	301,961	194,172
Current service cost	56,496	52,872	139,819
25	210,155	354,833	333,991

The amount of remeasurements of retirement benefits payable presented in other comprehensive income in the statements of comprehensive income is computed as follows:

	2020	2019	2018
Actuarial gain (loss) on:			
changes in financial assumptions	(46,333)	(162,990)	90,623
experience	(254,233)	375,888	50,207
Total	(300,566)	212,898	140,830
Less: Deferred tax asset (liability)	90,170	(63,869)	(42,249)
	(210,396)	149,029	98,581



The movement of remeasurements on retirement benefits payable recognized in the other comprehensive income is as follows:

	2020	2019	2018
Beginning balance	146,340	(2,689)	(101,270)
Remeasurements of retirement benefits payable, net of tax	(210,396)	149,029	98,581
	(64,056)	146,340	(2,689)

In determining the amount on retirement benefits payable, the following actuarial assumptions were used:

	2020	2019	2018
Economic assumptions:			
Discount rate	1.71%	3.42%	6.94%
Salary increase rate	4.00%	4.00%	1.00%
Employee data:			
No. of employees	5	6	8
Average age in years	63.8	64.5	57.4
Average remaining working life	1.0	1.0	2.6
Average years of past service	31.6	30.4	25.1
Annual covered payroll	1,886,652	2,233,752	2,624,460

Below is the quantitative information about the sensitivity of the retirement liability to a reasonably possible change in actuarial assumptions:

	2020	2019	2018
Increase in discount rate	0.70%	0.70%	0.90%
Decrease in present value of retirement benefits liability	28,806	29,359	37,080
Decrease in discount rate	0.70%	0.60%	0.80%
Increase in present value of retirement benefits liability	(27,525)	(27,881)	(33,394)
Decrease in salary increase rate assumption	0.70%	0.60%	0.80%
Decrease in present value of retirement benefits liability	(27,189)	(27,990)	(35,591)
Increase in salary increase rate assumption	0.70%	0.60%	0.90%
Increase in present value of retirement benefits liability	27,882	28,905	38,981



## NOTE 19 - RELATED PARTY TRANSACTIONS

The Parent Entity and Subsidiary's relationship with related parties is described below:

	Relationship
Oliverio G. Laperal, Sr.	Major shareholder
LTC Real Estate Corporation	Shareholder
Filipinas Golf & Country Club, Inc.	With common directors
Imperial Development Corporation	With common director

The significant transactions of the Parent Entity and Subsidiary in the normal course of business with related parties are described below:

### A. OTHER RELATED PARTY- SHAREHOLDER

The Parent Entity obtains non-interest bearing advances from its major shareholder. These advances are intended for the Parent Entity's operations.

	Amount of transactions	Outstanding balance	Terms and conditions
<b>Year 2020</b>			
Advances from shareholders			
LTC Real Estate Corporation	6,521,000	37,522,625	a. Payable in cash b. Have no specific repayment dates, c. The Company has unconditional right to defer payment for more than 12 months, d. Non-interest bearing, and e. Can be converted to equity upon compliance with regulatory requirements
Oliverio G. Laperal, Sr.	50,000	12,911,215	a. Payable in cash b. Have no specific repayment dates, c. The Company has unconditional right to defer payment for more than 12 months, d. Non-interest bearing, and e. Can be converted to equity upon compliance with regulatory requirements
	6,571,000	50,433,840	

	Amount of transactions	Outstanding balance	Terms and conditions
<u>Year 2019</u>			
Advances from shareholders			
LTC Real Estate Corporation	9,264,000	31,001,625	a. Payable in cash b. Have no specific repayment dates, c. The Company has unconditional right to defer payment for more than 12 months, d. Non-interest bearing, and e. Can be converted to equity upon compliance with regulatory requirements
Oliverio G. Laperal, Sr.	-	12,861,215	a. Payable in cash b. Have no specific repayment dates, c. The Company has unconditional right to defer payment for more than 12 months, d. Non-interest bearing, and e. Can be converted to equity upon compliance with regulatory requirements
	9,264,000	43,862,840	
<u>Year 2018</u>			
Advances from shareholders			
LTC Real Estate Corporation	7,279,000	21,737,625	a. Payable in cash b. Have no specific repayment dates, c. The Company has unconditional right to defer payment for more than 12 months, d. Non-interest bearing, and e. Can be converted to equity upon compliance with regulatory requirements
Oliverio G. Laperal, Sr.	-	12,861,215	a. Payable in cash b. Have no specific repayment dates, c. The Company has unconditional right to defer payment for more than 12 months, d. Non-interest bearing, and e. Can be converted to equity upon compliance with regulatory requirements
	7,279,000	34,598,840	

In March 2016, LTC Real Estate Corp., an investor, and the Parent Entity entered into a memorandum of agreement for the prospective subscription on the shares of stocks of the Parent Entity at the prevailing par value in the amount of Ten Million Pesos (P10,000,000) on or before December 31, 2016. The said amount shall be considered as a deposit and shall be subject to disposition, transfer and recovery by the investor.

As at December 31, 2020, 2019 and 2018, the Parent Entity has not met all the required conditions to account the deposit as deposit for future stock subscription. Thus, the deposit is recognized as advances from shareholders under non-current liabilities in the statements of financial position.

**B. OTHER RELATED PARTY- COMMON DIRECTOR**

	Amount of transactions	Outstanding balance	Terms	Conditions
<u>Year 2020</u>				
<b>Rent</b>				
Imperial Development Corporation	635,712	61,976	(1) Payable on or before fifth (5th) day of each corresponding month. (2) Lease for a period of one (1) year from January 1, 2020 to December 31, 2020. (3) Renewable upon mutual agreement before expiration of the lease term.	(1) In case of default in payment, the amount of rental due shall bear interest and penalty at the rate of 6% and 3% per month, respectively.
Filipinas Golf & Country Club, Inc.	191,752	8,465	(1) Payable every first (1st) day of the month. (2) Sub-lease for a period of one (1) year from April 1, 2019 to March 31, 2020 and April 1, 2020 until March 31, 2021.	(1) In case of failure to pay, lease shall be considered terminated and the Company shall vacate the premises.
	827,464	70,441		

	Amount of transactions	Outstanding balance	Terms	Conditions
<u>Year 2019</u>				
Rent				
Imperial Development Corporation	635,712	-	(1) Payable in cash on or before fifth (5th) day of each corresponding month. (2) Lease for a period of one (1) year from January 1, 2019 to December 31, 2019. (3) Renewable upon mutual agreement before expiration of the lease term.	(1) In case of default in payment, the amount of rental due shall bear interest and penalty at the rate of 6% and 3% per month, respectively.
Filipinas Golf & Country Club, Inc.	196,043	-	(1) Payable in cash every first (1st) day of the month. (2) Sub-lease for a period of one (1) year from June 1, 2017 to May 31, 2019 and from April 1, 2019 until March 31, 2020.	(1) In case of failure to pay, lease shall be considered terminated and the Company shall vacate the premises.
	831,755	-		
<u>Year 2018</u>				
Rent				
Imperial Development Corporation	635,712	-	(1) Payable on or before fifth (5th) day of each corresponding month. (2) Lease for a period of one (1) year from January 1, 2018 to December 31, 2018. (3) Renewable upon mutual agreement before expiration of the term of the lease.	(1) In case of default in payment, the amount of rental due shall bear interest at the rate of 25% per annum.
Filipinas Golf & Country Club, Inc.	165,092	-	(1) Payable every first (1st) day of the month. (2) Sub-lease for a period of one (1) year from June 1, 2017 to May 31, 2019. This was renewed for another year.	(1) In case of failure to pay, lease shall be considered terminated and the Company shall vacate the premises.
	800,804	-		

#### D. KEY MANAGEMENT PERSONNEL

	Amount of transactions	Outstanding balance
<b>Year 2020</b>		
Short-term employee benefits	1,645,902	-
Post-employment benefits	2,603,859	-
<b>Year 2019</b>		
Short-term employee benefits	1,732,721	-
Post-employment benefits	2,572,770	-
<b>Year 2018</b>		
Short-term employee benefits	1,657,652	-
Post-employment benefits	2,522,890	-

There were no termination, other long-term benefits and share-based payments granted to the key management personnel for the years ended December 31, 2020, 2019 and 2018. The President/Chief Executive Officer, Vice-President/Treasurer (Chief Financial Officer) and Company Controller have received salary from the Parent Entity amounting Company Controller have received salary from the Company amounting to P757,028, P773,074, and nil for the years ended December 31, 2020, 2019 and 2018, respectively. The members of the Board of Directors receive only per diem per attendance in the regular and special meeting of the Board and Annual/Special Stockholders Meeting. The total amount of per diem paid in 2020, 2019 and 2018 amounts to P245,000, P225,000, and P195,000 (Note 26) respectively.

#### **NOTE 20 - SHARE CAPITAL**

The Parent Entity and Subsidiary's share capital consists of:

	2020	2019	2018
Common shares - P1 par value per share			
Authorized shares, 1,800,000,000 as at December 31, 2019	1,800,000,000	1,800,000,000	1,800,000,000
Subscribed Share Capital	652,500,000	652,500,000	652,500,000
Less: Subscription Receivable	15,936,454	15,936,454	15,936,454
Paid up capital	636,563,546	636,563,546	636,563,546

The change of par value from Five Pesos (P5.00) to One Peso (P1.00) and the declassification of shares from common Class "A" and Class "B" shares to common stock voting shares were approved by SEC on February 10, 2017 and implemented by Philippine Stock Exchange (PSE) on February 22, 2017.

Subscription receivable collected for the years ended December 31, 2018 amounted to P150,000. There was no collection of subscription receivable for the years ended December 31, 2020, and 2019. Both common class "A" and "B" shares have P5.00 par value with the same rights and privileges, except that Common Class "A" shares shall be issued and/or sold only to citizens of the Philippines or to Corporation, at least sixty percent (60%) of the capital stock for/of which is owned by citizens of the Philippines, while Common Class "B" shares shall be issued and/or sold to any person or

corporation irrespective of citizenship, provided that a stockholder who is Filipino citizen holding Common Class "B" shares shall be entitled at any time to convert his Common Class "B" shares to Common Class "A" shares.

The names of the controlling groups/individuals are:

As at December 31, 2020		
<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage to total Outstanding Shares</i>
1 Laperal, Sr. Oliverio G.	546,552,070	83.76%
2 PCD Nominee, Corporation	33,228,565	5.09%
3 LMI Holdings Corporation	21,905,000	3.36%
4 Olondriz, Marino Y Cia	2,411,095	0.37%
5 Laperal, Desiderio L.	1,670,000	0.26%
6 Laperal, Alexandra L.	1,660,000	0.25%
7 Ganotisi, Filomeno	1,630,000	0.25%
Total subscribed shares of controlling groups/individuals	609,056,730	93.34%
Total subscribed shares	652,500,000	100%

As at December 31, 2019		
<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage to total Outstanding Shares</i>
1 Laperal, Sr. Oliverio G.	546,552,070	83.76%
2 PCD Nominee, Corporation	33,228,565	5.09%
3 LMI Holdings Corporation	21,905,000	3.36%
4 Olondriz, Marino Y Cia	2,411,095	0.37%
5 Laperal, Desiderio L.	1,670,000	0.26%
6 Laperal, Alexandra L.	1,660,000	0.25%
7 Ganotisi, Filomeno	1,630,000	0.25%
Total subscribed shares of controlling groups/individuals	609,056,730	93.34%
Total subscribed shares	652,500,000	100%

As at December 31, 2018		
<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage to total Outstanding Shares</i>
1 Laperal, Sr. Oliverio G.	546,552,070	83.76%
2 PCD Nominee, Corporation	33,223,565	5.09%
3 LMI Holdings Corporation	21,905,000	3.36%
4 Olondriz, Marino Y Cia	2,411,095	0.37%
5 Laperal, Desiderio L.	1,670,000	0.26%
6 Laperal, Alexandra L.	1,660,000	0.25%
7 Ganotisi, Filomeno	1,630,000	0.25%
Total subscribed shares of controlling groups/individuals	609,051,730	93.34%
Total subscribed shares	652,500,000	100%

In 2018, the major shareholder of the Parent Company, Mr. Oliverio G. Laperal Sr. passed away due to old age. His shares of stocks in the Parent Company are amongst those reported and included in the inventory of the estate settlement proceedings before the Regional Trial Court, Branch 148, Makati City, Metro Manila in the proceedings entitled "Petition for the Probate of the Will of Oliverio G. Laperal, Sr." where Mr. Desiderio Christopher L. Laperal is the petitioner. The petition was docketed as R-MKT-18-04136-SP.

As at December 31, 2020, the appointment of the executor of the estate of Mr. Oliverio G. Laperal Sr. is still in process.

#### NOTE 21 - EMPLOYEE COSTS

This account consists of:

	Notes	2020	2019	2018
Salaries and wages	25	2,346,444	2,782,906	3,170,328
Retirement benefits expense	18, 25	210,155	354,833	333,991
SSS, Philhealth and HDMF contributions	25	46,310	52,806	73,135
		2,602,909	3,190,545	3,577,454

#### NOTE 22 - DEPRECIATION

This account consists of:

	Notes	2020	2019	2018
Office equipment		3,132	6,451	16,767
Office furniture and fixture		-	1,261	3,780
	12, 25	3,132	7,712	20,547

#### NOTE 23 - FOREIGN CURRENCY-DENOMINATED ASSETS

Dollar denominated assets are as follows:

	2020	2019	2018
Asset:			
Cash and cash equivalents	45,413	45,339	45,158
Year end exchange rate	48.036	50.744	52.724
Peso equivalent	2,181,464	2,300,682	2,380,886

Unrealized gain (loss) on foreign exchange credited to operations for the years ended December 31, 2020, 2019 and 2018 amounted to (P122,961), (P89,603) and P125,631 (Note 8), respectively.

## NOTE 24 - LEASE AGREEMENTS

The Parent Entity and Subsidiary entered into operating lease agreements as follows:

1. The Parent Entity entered into an operating lease agreement with Imperial Development Corporation (IDC) for a lease of office space at 82-D and 82-J 4<sup>th</sup> Street, New Manila, Quezon City including adjoining room consisting of 26.8 square meters for a period of one (1) year from January 1, 2016 to December 31, 2016, renewable upon mutual agreement in writing by both parties, with a monthly rental of P47,300, exclusive of 12% VAT. The lease was renewed in 2020, 2019 and 2018 under the same terms, stipulations, and conditions.
2. The Parent Entity entered into a sub-lease agreement with Filipinas Golf & Country Club, Inc. (FGCCI) as a sub-lessee for an office space with an area of ten (10) sq. m. more or less located at Unit 202 Villa Building, No. 78 Jupiter Street corner Makati Avenue, Barangay Bel-Air, Makati City for a period of one (1) year with a monthly rate of P6,434 from January 1, 2016 to May 31, 2016 and P6,690 from June 1, 2016 to December 31, 2016 which includes water bills, parking and association dues. The sub-lease agreement was renewed for another year in 2017 from June 1, 2017 to May 31, 2018 with a monthly rental of P6,690.

The sub-lease agreement was subsequently renewed inclusive of association dues and VAT as follows:

Lease period	Amount
June 1, 2018 to May 31, 2019	7,014
April 1, 2019 to March 31, 2020	8,191
April 1, 2020 to March 31, 2021	8,465
April 1, 2020 to December 31, 2020	8,465
January 1, 2021 to March 31, 2021	9,325

Total rent expense charged to operations amounts to P816,762, P825,228 and P800,804 for the years ended December 31, 2020, 2019 and 2018, respectively.

The future minimum lease payments under non-cancellable operating lease are as follows:

	2020	2019	2018
Not later than one year	22,184	23,344	33,317



## NOTE 25 - ADMINISTRATIVE EXPENSES

This account consists of:

	Note	2020	2019	2018
Salaries and wages	21	2,346,444	2,782,906	3,170,328
Rent	24	816,762	825,228	800,804
Taxes and licenses		587,459	1,481,450	494,773
Utilities		500,658	549,107	598,432
Professional fees		422,782	428,716	416,293
Dues and subscription		390,007	389,862	380,018
Director's fees	19	245,000	225,000	195,000
Retirement benefit	18, 21	210,155	354,833	333,991
Security services		204,000	204,000	204,000
Transportation and travel		167,740	165,158	164,009
Repairs and maintenance		96,815	187,439	165,401
Supplies and other office expenses		48,450	71,265	105,540
SSS, Philhealth and HDMF contributions	21	46,310	52,806	73,135
Insurance		41,974	44,118	33,054
Representation and entertainment		12,420	-	-
Depreciation	12, 22	3,132	7,712	20,547
Bank charges		575	125	550
Office supplies		50	50	-
Penalties and surcharges		-	53,556	-
Miscellaneous		262,178	289,293	284,879
		6,402,911	8,112,624	7,440,754

Miscellaneous pertains to attendance fees, bank charges and other miscellaneous expenses incurred by the Company.

## NOTE 26 - NON-CONTROLLING INTEREST

This account consists of:

	2020	2019	2018
Non-controlling interest net loss for the year	(2,395)	(3,525)	(2,194)
Non-controlling interest in net assets	(238,734)	(235,209)	(233,016)
	(241,129)	(238,734)	(235,210)

The non-controlling interest represents one (1%) percent ownership interest of the Subsidiary.

## NOTE 27 - BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per share is computed as follows:

	2020	2019	2018
Profit (loss) for the year	32,863,924	(2,495,392)	227,801,712
Divided by: Weighted average number of common shares	636,563,546	636,563,546	636,551,046
Basic earnings per share	0.05	0.00	0.36

The diluted earnings per share is computed as follows:

	2020	2019	2018
Profit (loss) for the year	32,863,924	(2,495,392)	227,801,712
Divided by: Weighted average number of common shares	636,563,546	636,563,546	636,551,046
Number of shares assumed to be purchased	15,936,454	15,936,454	15,948,954
Total	652,500,000	652,500,000	652,500,000
Diluted earnings per share	0.05	0.00	0.35

## NOTE 28 - COMMITMENTS AND CONTINGENCIES

The Parent Entity and Subsidiary have no impending liabilities, direct claims, contingent liabilities or matters in which there is a reasonable possibility of an outcome which might materially affect the consolidated financial position or results of operations as at December 31, 2020, 2019 and 2018.

### *Commitment to Memorandum of Agreement*

In accordance with the Parent Entity's Memorandum of Agreement with PT. INDOMINAS for the exclusive rights to do preliminary studies before choosing the area to be developed, if the results of the studies are favorable, the Parent Entity shall pay another US\$170,000 upon approval of the conversion of the selected areas into exploration concession (Note 2).

## NOTE 29 - SUBSEQUENT EVENTS

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was enacted into law as Republic Act No. 11543 by virtue of the approval of the President of the Philippines with nine (9) vetoed provisions. Below are the salient features of the Act:

- Corporate Income Tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 Million and with total assets not exceeding P100 Million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

The measure is set to take effect 15 days after its complete publication in the official Gazette or in a newspaper of general circulation (April 11, 2021). After which, the implementing rules and regulation (IRR) will be issued by the tax authority (BIR).

The Philippine Interpretations Committee (PIC) issued PIC Q&A No. 2020-07 which provides guidance on the accounting of the retroactive reductions on the applicable tax rates. Based on the Q&A, if the CREATE Bill is enacted prior to the audited financial statements issue date and before the actual filing of the annual income tax return, the impact of the reduced tax rates will be considered a non-adjusting event but significant changes in tax rates on current and deferred tax assets and liabilities should be disclosed.

The only impact of CREATE Act is on the calculation of the Parent Entity's deferred tax on NOLCO for the year 2020, as stated below:

<b>PROVISION FOR INCOME TAX - DEFERRED</b>	
Amount of provision using 30% income tax rate	(2,077,689)
Amount of provision using the reduced income tax rate (under CREATE) of 25%	(1,731,407)
<b>Impact on the financial statements</b>	<b>(346,282)</b>

Since the Company's management believes that there is absence of virtual certainty that the DTA on NOLCO for the year ended December 31, 2020 can be realized, then, no recognition was taken up in the Parent Entity's books.



# Villaruz, Villaruz & Co., CPAs

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Shareholders of  
IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY  
82-J 4<sup>th</sup> Street, Barangay Mariana, New Manila  
Quezon City

We have audited the consolidated financial statements of IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY in accordance with the Philippine Standards on Auditing for the year ended December 31, 2020 and have issued our report thereon dated April 14, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The supplementary information included in the following accompanying additional components is the responsibility of the Parent Entity and Subsidiary's management.

- i. Tabular schedule of standards and interpretations as of reporting date
- ii. Schedule of financial soundness indicators
- iii. Map of conglomerate or group companies within which the reporting entity belongs
- iv. Supplementary schedules as required under Annex 68-J
- v. Reconciliation of Retained Earnings Available for Dividend Declaration

The supplementary information referred to above are presented for purposes of complying with Revised Securities Regulation Code (SRC) Rule 68 and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

VILLARUZ, VILLARUZ & CO., CPAs  
000-889-941

By:

NORMITA L. VILLARUZ

GPA Certificate No. 36181

PRC ID No. 0036181 valid until September 20, 2021

PTR No. 0697499 issued on January 6, 2021 at Quezon City

BIR Accreditation No. (Individual) 07-100207-001-2020 issued on November 25, 2020 valid until November 24, 2023

BIR Accreditation No. (Firm) 07-000438-005-2020 issued on October 28, 2020 valid until October 27, 2023

SEC Accreditation No. (Individual) 0600-AR-3 (Group A) issued on October 8, 2019 valid until October 7, 2022

SEC Accreditation No. (Firm) 0128-FR-4 (Group A) issued on October 8, 2019 valid until October 7, 2022

T.I.N. 101-825-674

BOA/PRC Registration No. 0058 issued on October 4, 2018 valid until June 26, 2021

Quezon City, Philippines  
April 14, 2021



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
As at and for the year ended December 31, 2020

**OTHER DOCUMENTS TO BE FILED WITH THE ANNUAL AUDITED FINANCIAL STATEMENTS**

Under paragraph 4(J) of SRC Rule 68, as amended, large and/or publicly-accountable entities are required to submit with their audited financial statements a schedule, in table format, showing in the first column a list of all the effective standards and interpretations under the PFRS as of year-end, and an indication opposite each in the second column on whether it is "Adopted", "Not adopted" or "Not applicable".

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2020		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>			✓	
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Deletion of short-term exemptions for first-time adopters			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources	✓		
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9 (2014)</b>	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
<b>PFRS 11</b>	Joint Arrangements			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		
<b>PFRS 16</b>	Leases	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1</b>	Presentation of Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
(Revised)	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Equity method in Separate Financial Statement			✓
PAS 28	Investments in Associates and Joint Ventures			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2020		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>(Amended)</b>	<b>Amendment to PAS 28 (Amended): Measuring an associate or joint venture at fair value</b>			✓
<b>PAS 29</b>	<b>Financial Reporting in Hyperinflationary Economies</b>			✓
<b>PAS 32</b>	<b>Financial Instruments: Presentation</b>	✓		
	<b>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</b>			✓
	<b>Amendment to PAS 32: Classification of Rights Issues</b>			✓
	<b>Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities</b>	✓		
<b>PAS 33</b>	<b>Earnings per Share</b>	✓		
<b>PAS 34</b>	<b>Interim Financial Reporting</b>	✓		
<b>PAS 36</b>	<b>Impairment of Assets</b>	✓		
<b>PAS 37</b>	<b>Provisions, Contingent Liabilities and Contingent Assets</b>	✓		
<b>PAS 38</b>	<b>Intangible Assets</b>			✓
<b>PAS 40</b>	<b>Investment Property</b>	✓		
	<b>Amendments to PAS 40: Transfers of Investment Property</b>	✓		
<b>PAS 41</b>	<b>Agriculture</b>			✓
	<b>Amendments to PAS 41: Bearer Plants</b>			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	<b>Changes in Existing Decommissioning, Restoration and Similar Liabilities</b>			✓
<b>IFRIC 2</b>	<b>Members' Share in Co-operative Entities and Similar Instruments</b>			✓
<b>IFRIC 4</b>	<b>Determining Whether an Arrangement Contains a Lease</b>	✓		
<b>IFRIC 5</b>	<b>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</b>			✓
<b>IFRIC 6</b>	<b>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</b>			✓
<b>IFRIC 7</b>	<b>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</b>			✓
<b>IFRIC 10</b>	<b>Interim Financial Reporting and Impairment</b>	✓		
<b>IFRIC 12</b>	<b>Service Concession Arrangements</b>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration			✓
<b>IFRIC 23</b>	Uncertainty over Income Tax Treatment	✓		
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**As at and for the years ended December 31, 2020, 2019 and 2018**

Pursuant to Revised Securities Regulation Code (SRC) Rule 68 Part 1 General Financial Reporting Requirements No. 5 Other Documents To Be Filed With The Financial Statements.

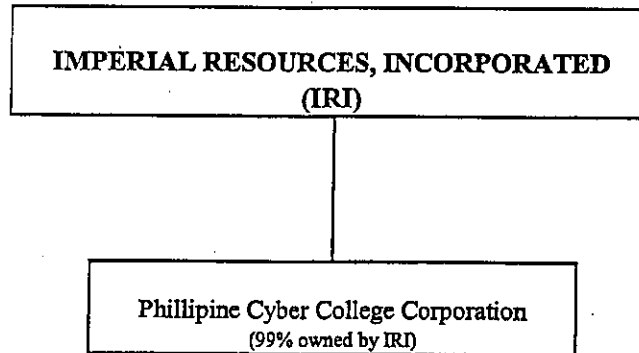
A. Per Subsection C. "Regulated Entities Enumerated in Section 3 (b) (i) of Part 1 of This Rule" requirement of a schedule, showing financial soundness indicators in two comparative periods as follows: (i) current/liquidity ratio; (ii) solvency ratios, debt-to-equity ratios; (iii) asset-to-equity ratios; (iv) interest rate coverage ratios; (v) profitability ratios; (vi) other relevant ratios as the Commission may consider necessary.

	2020	2019	2018
(i) Current/liquidity ratios:			
Current assets	2,939,360	3,031,287	3,543,776
Current liabilities	768,864	239,583	2,273,251
	= 3.82:1	= 12.65:1	= 1.56:1
(ii) Debt-to-equity ratios:			
Total liabilities	55,200,696	48,595,377	41,223,110
Equity	829,535,412	796,884,279	799,234,167
	= 0.07:1	= 0.06:1	= 0.05:1
(iii) Solvency ratios:			
Total liabilities	55,200,696	48,595,377	41,223,110
Total assets	884,736,108	845,479,656	840,457,277
	= 0.06:1	= 0.06:1	= 0.05:1
(iv) Asset-to-equity ratios:			
Total assets	884,736,108	845,479,656	840,457,277
Equity	829,535,412	796,884,279	799,234,167
	= 1.07:1	= 1.06:1	= 1.05:1
(v) Interest rate coverage ratios (Earnings before interest and taxes/Interest expense):			
This ratio is not applicable since the Parent Entity and Subsidiary has no interest expense.			
(vi) Profitability ratios (Net profit after taxes/Revenues before cost of services):			
This ratio is not applicable since the Parent Entity and Subsidiary has no revenues.			

**IMPERIAL RESOURCES, INCORPORATED**  
**As at and for the year ended December 31, 2020**

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**MAP OF THE CONGLOMERATE OR GROUP OF COMPANIES  
WITHIN WHICH THE REPORTING ENTITY BELONGS**



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
As at and for the year ended December 31, 2020

**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J**

This Annex prescribes the disclosure requirements including the form and content of the schedules required by section 6, Part II of Revised Securities Regulation Code (SRC) Rule 68.

**Schedule A. Financial Assets**

This schedule is not applicable to the Parent Entity and Subsidiary since there is no Fair Value through Profit or Loss as at December 31, 2020.

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

This schedule is not applicable to the Parent Entity and Subsidiary since there are no amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) from whom an aggregate indebtedness of more than One Million Pesos (P1 Million) or one per cent (1%) of total assets, whichever is less, is owed at December 31, 2020.

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

This schedule consists of:

Name and Designation of Debtor	Balance at Beginning Period	Additions	Amounts Collected	Amounts Written Off	Ending balance		Balance at End of Period
					Current	Non-current	
Philippine Cyber College Corporation (Subsidiary)							
Due from Subsidiary							
P	23,961,934	P 214,000	P -	P -	P -	P 24,175,934	P 24,175,934
Allowance for impairment loss							
	(23,378,000)	(440,000)	-	-	-	(23,818,000)	(23,818,000)
P	583,934	P (226,000)	P -	P -	P -	P 357,934	P 357,934

**Schedule D. Long-Term Debt**

This schedule is not applicable to the Parent Entity and Subsidiary since there is no long-term debt as at December 31, 2020.

**Schedule E. Indebtedness to Related Parties**

This schedule consists of advances from shareholders for continuous support to the Parent Entity's operations as at December 31, 2020:

Name of related party	Balance at beginning of the period	Additions (Payments)	Balance at end of period
Oliverio G. Laperal, Sr.	12,861,215	50,000	12,911,215
LTC Real Estate Corporation	31,001,625	6,521,000	37,522,625
	43,862,840	6,571,000	50,433,840

**Schedule F. Guarantees of Securities of Other Issuers**

This schedule is not applicable to the Parent Entity and Subsidiary since there is no guarantees of securities of other issuing entities by the issuer for which the statement is filed as at December 31, 2020.

**Schedule G. Capital Stock**

This schedule consists of:

Title of Issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common Stock	1,800,000,000	636,563,546	-	22,952,375	3,250,000	610,361,171

IMPERIAL RESOURCES, INCORPORATED  
82-J 4th Street, New Manila, Quezon City

RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
As of December 31, 2020

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2017		<u>(225,928,420)</u>
Add: Net income actually earned/realized during 2018		
Net income during 2018 closed to Retained Earnings	<u>227,801,712</u>	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		
Fair value adjustment (M2M gains)		
Fair value adjustment of Investment Property resulting to gain	<u>235,000,000</u>	
Amount of recognized DTA that increased the amount of income tax expense		
Adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Sub-total	<u>235,000,000</u>	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Amount of recognized DTA that increased the amount of income tax expense	<u>99,916</u>	
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of investment property (after tax)	<u>99,916</u>	
Net income actually earned during 2018		<u>(7,098,372)</u>
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2018		<u>(233,026,792)</u>
Add: Net income actually earned/realized during 2019		
Net loss during 2019 closed to Retained Earnings	<u>(2,495,392)</u>	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		
Fair value adjustment (M2M gains)		
Fair value adjustment of Investment Property resulting to gain	<u>5,500,000</u>	
Amount of recognized DTA that increased the amount of income tax expense		
Adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Sub-total	<u>5,500,000</u>	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Amount of recognized DTA that increased the amount of income tax expense	<u>103,937</u>	
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of investment property (after tax)	<u>103,937</u>	
Net income actually earned during 2019		<u>(7,891,455)</u>
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2019		<u>(240,918,247)</u>
Add: Net income actually earned/realized during 2020		
Net income during 2020 closed to Retained Earnings	<u>32,863,924</u>	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		
Fair value adjustment (M2M gains)		
Fair value adjustment of Investment Property resulting to gain	<u>39,500,000</u>	
Amount of recognized DTA that increased the amount of income tax expense		
Adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Sub-total	<u>39,500,000</u>	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Amount of recognized DTA that decreased the amount of income tax expense	<u>(238,658)</u>	
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of investment property (after tax)	<u>(238,658)</u>	
Net income actually earned during 2020		<u>(6,874,734)</u>
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2020		<u>(247,792,982)</u>

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ANTHONY NELSON G. MENDOZA**, Filipino, of legal age and a resident of 103 Acacia Avenue, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **IMPERIAL RESOURCES, INCORPORATED** and have been its independent director since April 21, 2010.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
BLESS Microfinance Corp.	President	1998 – present
BLESS Tahanan Corp.	President	2005 - present
BLESS Entrepreneurial Agri-Business Development Corp.	President	2007 - present
BLESS Omnitrans Services Corp.	President	2008 - present
BLESS Kaunlaran Corp.	President	2011 - present
BLESS Nutrifoods Corp.	Treasurer	2016 - present
BLESS Inc.	President	2016 - present
BLESS Amare Inc.	President	2016 - present
BLESS Okiniiri Resto Inc.	President	2017 - present
BLESS LAS PAELLAS, INC.	President	2017 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **IMPERIAL RESOURCES, INCORPORATED**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code).

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
	NOT APPLICABLE	

- | OFFENSE CHARGED/<br>INVESTIGATED | TRIBUNAL OR AGENCY<br>INVOLVED | STATUS |
|----------------------------------|--------------------------------|--------|
|                                  |                                |        |
|                                  | NOT APPLICABLE                 |        |
|                                  |                                |        |
|                                  |                                |        |

- Done this 11 day of Nov, 2021 at \_\_\_\_\_

*[Signature]*

**ANTHONY NELSON G. MENDOZA**  
Affiant

JUN 01 2021

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2021;  
affiant personally appeared and exhibited to me his Passport No. P2488122A issued at  
DFA, Manila expiring on March 27, 2022.

ATTY. ROGELIO J. BOLUAR  
NOTARY PUBLIC IN QUEZON CITY

NOTARY PUBLIC IN QUEZON CITY

AM Adm. NOTARY PUBLIC 12-31-2020

Commission Extended until June 30, 2026

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

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PETER D. B. GARDNER, 65, 1000 17th St., N.W., Washington, D.C. 20036, 202-462-6002

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**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **GENELITA G. MANANDIC**, Filipino, of legal age and a resident of 1 Maya-maya Circle, Corner Maya-maya Drive, Victoria Valley Subdivision, Bgy. Dela Paz, Antipolo City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **IMPERIAL RESOURCES, INCORPORATED** and have been its independent director since June 10, 2010.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

<b>COMPANY / ORGANIZATION</b>	<b>POSITION/RELATIONSHIP</b>	<b>PERIOD OF SERVICE</b>
Filipinas Golf & Country Club, Inc.	Director	2010 - present
Fruit and Veggie Friends Club, Inc.	Founder, Lecturer	2004 - present
Thocaris One Corp.	Partners	1990 - 2018
Subic Bay Waterfront Dev. Corp.	Group Manager	1998 - 2000
COCOLIFE	Agency Manager	1992 - 1995
COCOLIFE	Life Underwriter	1991 - 1992
Everlasting Memorial Park	Marketing Manager	1996 - 1997

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **IMPERIAL RESOURCES, INCORPORATED**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code).

<b>NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER</b>	<b>COMPANY</b>	<b>NATURE OF RELATIONSHIP</b>
	NOT APPLICABLE	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):


<b>OFFENSE CHARGED/ INVESTIGATED</b>	<b>TRIBUNAL OR AGENCY INVOLVED</b>	<b>STATUS</b>
	NOT APPLICABLE	

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of IMPERIAL RESOURCES, INCORPORATED of any changes in the above-mentioned information within five days from its occurrence.

Done this JUN 01 2021 day of JUN 01 2021, 2021 at \_\_\_\_\_.

  
**GENELITA G. MANANDIC**  
Affiant

SUBSCRIBED AND SWORN to before me this JUN 01 2021 day of JUN 01 2021, 2021;  
affiant personally appeared before me and exhibited to me proofs showing her identity and government issued Driver's License No. C0293038475 issued at Robinson Cainta DLRC Field Office Code 0423 : expiring on April 22, 2022.

  
**ATTY. ROGELIO J. BOLIVAR**  
NOTARY PUBLIC IN QUEZON CITY  
AM Adm. Not. Commission No. 12-34-2020  
Commission Extended until June 30, 2021  
as per SEC LEND-INC B.M. No. 3795 12/1/2020  
IBP O.R. No. 132134 MD 2021 & IBP O.R. No. 1325, 04/15/2022  
PTR O.R. No. 8605112 D 1/4/21 / Roll No. 33832 / TIN# 120-871-089  
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