

Company Registration No. 201412822M

AEV International Pte. Ltd.

Annual Financial Statements
For the financial year ended 31 December 2019

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AEV International Pte. Ltd.

Directors' statement

The directors are pleased to present their statement to the member together with the audited financial statements of AEV International Pte. Ltd. (the "Company") for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

- (i) the accompanying balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Company for the financial year ended 31 December 2019 and the financial performance, changes in equity and the cash flows of the Company for the period ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this report are:

Sabin Mendieta Aboitiz	(appointed on January 20, 2020)
Manuel Ramirez Lozano	
Ma. Lope Gam Mabatid	(appointed on 14 October 2019)

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

No director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations, either at the beginning of the financial year, or at date of appointment if later, or at the end of financial year.

Share options

No options have been issued by the Company during the financial year ended 31 December 2019. As at 31 December 2019, there were no outstanding options on the unissued shares of the Company or related corporations.

AEV International Pte. Ltd.

Directors' statement

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,


Sabin Mendieta Aboitiz
Director


Manuel Ramirez Lozano
Director

Singapore
30 June 2020

AEV International Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2019**

Independent auditor's report to the member of AEV International Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AEV International Pte. Ltd. (the "Company"), which comprise the balance sheet as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSS) so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises Directors' statement set out on pages 1 and 2, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 SSAs 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 financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

AEV International Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2019**

Independent auditor's report to the member of AEV International Pte. Ltd.

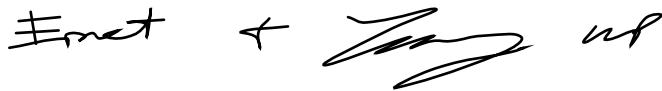
Auditor's responsibilities for the audit of the financial statements (cont'd)

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

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Handwritten signature in black ink, appearing to read "Ernst & Young" in a stylized, cursive script.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 June 2020

AEV International Pte. Ltd.

**Statement of comprehensive income
For the year ended 31 December 2019**

	Note	2019 USD	2018 USD
Income			
Interest income	6,10	1,923	1,148
Income from interest rate swap	11	91,378	–
		<u>93,301</u>	<u>1,148</u>
Expenses			
Interest expense		(9,032,728)	(5,720,605)
Salaries		(65,709)	(59,433)
Professional fees		(29,847)	(23,061)
Bank charges		(22,644)	(2,058)
Foreign exchange loss		(4,662)	–
Rental		–	(4,007)
Miscellaneous		(643)	–
		<u>(9,156,233)</u>	<u>(5,809,164)</u>
Loss before taxation		<u>(9,062,932)</u>	<u>(5,808,016)</u>
Taxation	4	–	–
Loss for the year		<u>(9,062,932)</u>	<u>(5,808,016)</u>
Other comprehensive income for the year	11	917,021	–
Loss for the year, representing total comprehensive income for the year		<u><u>(8,145,911)</u></u>	<u><u>(5,808,016)</u></u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AEV International Pte. Ltd.

Balance sheet
As at 31 December 2019

	Note	2019 USD	2018 USD
Non-current assets			
Investment in a subsidiary	5	488,307,805	367,507,805
Other non-current assets		206,068	–
		<u>488,513,873</u>	<u>367,507,805</u>
Current assets			
Cash and cash equivalents	6	226,124	626,222
Derivative assets	11	1,008,398	–
		<u>1,234,522</u>	<u>626,222</u>
Current liability			
Other payables	7	1,303,837	117,151
Net current (liabilities)/assets		<u>(69,315)</u>	<u>509,071</u>
Non-current liability			
Long-term debt	8	220,113,830	219,311,452
Net assets		<u>268,330,728</u>	<u>148,705,424</u>
Equity			
Share capital	9	282,246,216	154,475,001
Accumulated loss		(14,832,509)	(5,769,577)
Other comprehensive income		917,021	–
Total equity		<u>268,330,728</u>	<u>148,705,424</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AEV International Pte. Ltd.

**Statement of changes in equity
For the year ended 31 December 2019**

	Share capital (Note 9) USD	Foreign currency translation reserves USD	Accumulated profit/ (loss) USD	Other comprehensive income USD	Total equity USD
Balance as at 1 January 2018	27,855,001	(2,136)	40,575	–	27,893,440
Loss for the year	–	–	(5,808,016)	–	(5,808,016)
<u>Other comprehensive income</u>					
Exchange translation difference	–	2,136	(2,136)	–	–
Total comprehensive income for the year	–	2,136	(5,810,152)	–	(5,808,016)
Issuance of preference shares (Note 9)	126,620,000	–	–	–	126,620,000
Balance as at 31 December 2018 and 1 January 2019	154,475,001	–	(5,769,577)	–	148,705,424
Loss for the year	–	–	(9,062,932)	–	(9,062,932)
<u>Other comprehensive income</u>					
Unrealized gain on cashflow hedge (Note 11)	–	–	–	917,021	917,021
Total comprehensive income for the year	–	–	(9,062,932)	917,021	(8,145,911)
Issuance of preference shares (Note 9)	127,771,215	–	–	–	127,771,215
Balance as at 31 December 2019	282,246,216	–	(14,832,509)	917,021	268,330,728

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AEV International Pte. Ltd.

Statement of cash flows
For the year ended 31 December 2019

	Note	2019 USD	2018 USD
Operating activities			
Loss before taxation		(9,062,932)	(5,808,016)
Adjustments for:			
Interest expense		9,032,728	5,720,605
Interest income	6,10	(1,923)	(1,148)
Income from interest rate swaps	11	(91,378)	–
Operating cash flows before changes in working capital		(123,505)	(88,559)
Increase in other non-current assets		(206,068)	–
Increase in other payables		69,301	9,353
Net cash flows used in operations		(260,272)	(79,206)
Interest received		1,923	1,148
Net cash flows used in operating activities		(258,349)	(78,058)
Cash flows from investing activity			
Additions to investment in a subsidiary, representing net cash flows from investing activity	5	(120,800,000)	(339,652,804)
Cash flows from financing activities			
Proceeds from issuance of redeemable preference shares	9	127,771,215	126,620,000
Interest paid		(7,112,964)	(5,086,972)
Proceeds from drawdown of long-term debt		–	338,000,000
Repayment of long-term debt		–	(115,000,000)
Transaction costs incurred for securing long-term debt		–	(4,219,960)
Net cash flows generated from financing activities		120,658,251	340,313,068
Net (decrease)/increase in cash and cash equivalents		(400,098)	582,206
Cash and cash equivalents at beginning of the year		626,222	44,016
Cash and cash equivalents at the end of the year	6	226,124	626,222

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

AEV International Pte. Ltd. (the "Company") is a private limited company which is domiciled and incorporated in Singapore. The holding company of the Company is Aboitiz Equity Ventures, Inc. ("AEV"), a public listed company in the Philippines Stock Exchange.

The registered office of the Company is located at 47 Scotts Road #16-01/02 Goldbell Towers Singapore 228233.

The principal activity of the Company is to carry on the business of an investment holding company. The principal activity of its subsidiary is stated in Note 5 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar (USD), unless otherwise stated.

The Company, a wholly owned subsidiary of AEV, elected not to prepare consolidated financial statements under the exemption provided under FRS 110, *Consolidated Financial Statements*. AEV prepares the Group's consolidated financial statements which can be obtained from its office at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

2.2 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Company has not adopted the following standards that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to FRS 1 and FRS 8 <i>Definition of Material</i>	1 January 2020
Amendments to FRS 103 <i>Definition of a Business</i>	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107 <i>Interest Rate Benchmark Reform</i>	1 January 2020
FRS 117 <i>Insurance Contracts</i>	1 January 2021
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 Foreign currency

Effective 1 January 2018, the Company changed its functional and presentation currency from Philippine peso (PHP) to the United States Dollar (USD). The change in functional currency was due to the recent investing and financing transactions of the Company that were mostly denominated in the United States dollar. In making this change in functional and presentation currency, the Company followed the requirements of FRS 21: *The Effects of Changes in Foreign Exchange Rates*, which requires such a change in functional currency to be accounted for prospectively from the date of change.

The change in presentation currency was made to coincide with the change in functional currency as management felt the USD better reflected the economics of its business. Prior to 1 January 2018, the Company reported its balance sheet, statement of comprehensive income, statement of changes in equity and cash flow statement in Philippine peso (PHP). In accordance with FRS 21, the financial statements for all years and periods previously presented have been translated into the new presentation currency. As a result, the statement of comprehensive income and cash flow statement items for each prior year have been translated into the presentation currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at each of the reporting dates. Shareholders' equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions.

2. Summary of significant accounting policies (cont'd)

2.5 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

Investments in debt instruments at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

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

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

Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.6 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, 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 recognised in two stages. For credit exposures or 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 (a 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 recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

2.7 Investment in a subsidiary

A subsidiary is an investee that is controlled by the Company. The Company controls an investee when it 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 investee.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally

covering a period of five periods. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth period. Impairment losses of continuing operations are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Revenue recognition

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

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The following specific recognition criteria must also be met before revenue is recognised:

2.10 Cash

Cash comprises cash at bank which is subject to an insignificant risk of changes in value. Cash at bank earns interest at the respective bank deposit rates.

2. Summary of significant accounting policies (cont'd)

2.11 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital, net of any tax effects.

2.12 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which

applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred income tax

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

Deferred income tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except, where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

3. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the United States Dollar (USD) starting 1 January 2018. It is the currency that mainly influences the investing and financing activities of the Company.

Prior to 2018, the Company's functional currency was the Philippine peso. The change in functional currency was due to the recent investing and financing transactions of the Company which were denominated in USD.

3.2 Key sources of estimation uncertainty

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

Impairment loss on investment in subsidiary

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of investment in a subsidiary as at 31 December 2019 amounted to USD488,307,805 (2018: USD367,507,805). No impairment loss was recognised in 2019 and 2018.

4. Taxation

Relationship between tax expense and accounting loss

A reconciliation between tax expense and product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 is as follows:

	2019 USD	2018 USD
Loss before taxation	(9,062,932)	(5,808,016)
Tax at statutory rate of 17%	(1,540,698)	(987,363)
Adjustments:		
Non-deductible expenses	1,545,388	976,773
Income not subjected to tax	(15,861)	(195)
Deferred tax assets not recognised	11,171	10,785
Income tax expense recognised in profit or loss	—	—

Notes to the financial statements
For the financial ended 31 December 2019

4. Taxation (cont'd)

As at 31 December 2019, the Company has unutilised tax losses amounting to approximately USD129,149 (2018: USD63,440), that are available for offset against future taxable profits of the Company. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation.

5. Investment in a subsidiary

	2019 USD	2018 USD
Unquoted shares, at cost	488,307,805	367,507,805

Details of the subsidiary as at 31 December are as follows:

Name of company (Country of incorporation)	Principal activity	Percentage of equity held by the Company	
		2019	2018
Pilmico International Pte. Ltd. (Singapore)	Investment holding	100%	100%

On 27 December 2019, the Company made additional capital injection to Pilmico International Pte. Ltd. amounting to USD120,800,000 (2018: USD339,652,804).

6. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amount:

	2019 USD	2018 USD
Cash	226,124	626,222

There are no interest income earned from cash at bank in 2019 (2018: USD1,148).

7. Other payables

	2019 USD	2018 USD
Interest payable	1,181,621	69,054
Withholding tax payable	37,986	33,168
Others	84,230	14,929
	1,303,837	117,151

Others pertain to accruals of professional fees.

Notes to the financial statements
For the financial ended 31 December 2019

8. Long-term debt

Long-term debt consists of floating rate promissory notes and syndicated loan facility obtained from financial institutions, as follows:

	2019 USD	2018 USD
Long-term debt	223,000,000	223,000,000
Less: unamortized transaction costs	(2,886,170)	(3,688,548)
	220,113,830	219,311,452

Floating rate USD bank loan

On 20 July 2018, the Company availed of a syndicated loan facility amounting to USD338,000,000. The proceeds of the loan were used to make additional capital injection to Pilmico International Pte. Ltd. to finance the acquisition of 75% equity interest in Gold Coin Management Holdings Limited (GCMH). The loan bears a floating interest rate ranging from 3.13% to 3.72% in 2019 (2018: 3.26% to 3.54%) based on applicable spread over LIBOR and will mature in five (5) years. The loan is payable in full on 20 July 2023. However, on 28 December 2018, the loan was partially prepaid by the Company in the amount of USD115,000,000.

Total interest expense on this loan presented in the statement of comprehensive income amounted to USD9,032,728 in 2019 (2018: USD5,720,605). Amortized transaction cost is recorded as part of interest expense.

9 Share capital

	Ordinary shares USD	Preference shares USD	Total USD
Issued and fully paid:			
As at 1 January 2018	19,975,001	7,880,000	27,855,001
Issued and fully paid 126,620,000 redeemable preference shares	–	126,620,000	126,620,000
As at 31 December 2018 and 1 January 2019	19,975,001	134,500,000	154,475,001
Issued and fully paid 127,771,215 redeemable preference shares	–	127,771,215	127,771,215
As at 31 December 2019	19,975,001	262,271,215	282,246,216

Issued ordinary shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and have no par value.

9 Share capital (cont'd)

Issued redeemable preference shares

The redeemable preference shares rank *pari passu* with the ordinary shares except in the event of liquidation of the Company whereby the holder of the redeemable preference shares have priority in repayment of capital over the holder of ordinary shares.

The holders of redeemable preference shares are entitled to one vote per share as if redeemable preference shares were ordinary shares. The holders of the redeemable preference shares have right to dividend as determined by the Company in a general meeting in accordance with the articles and shall not have the right to convert any issued redeemable preference shares to ordinary shares.

The Company shall have the right at any time or times to redeem the whole or any part of the redeemable preference shares for the time being issued and outstanding upon giving to the holders of the redeemable preference shares prior notice in writing.

10. Related party transactions

Except for the related party information disclosed below and elsewhere in the financial statements, no other significant transactions between the Company and related parties took place during the period.

Interest Income

The Company received interest on loans from Therma Power Inc., a related company amounting to USD1,923 in 2019

11. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(a) Fair value hierarchy

The Company categorise fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

11. Fair value of financial instruments (cont'd)

(a) Fair value hierarchy (cont'd)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalent and other payables

The carrying amounts approximate fair values due to the relatively short-term nature of these financial instruments.

Derivative assets

Interest rate swaps (IRS)

In August 2019, the Company entered into an IRS agreement effective 31 October 2019 to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the interest rate swap agreement, the Company, on a quarterly basis, pays a fixed rate of 1.464% per annum and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. The Company designated the swap as a cash flow hedge.

As of 31 December 2019, the outstanding notional amount and derivative asset as a result of this agreement amounted to USD75,000,000 and USD634,816, respectively.

In September 2019, the Company entered into an IRS agreement effective 31 October 2019 to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the interest rate swap agreement, the Company, on a quarterly basis, pays a fixed rate of 1.435% per annum and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. The Company designated the swap as a cash flow hedge.

As of 31 December 2019, the outstanding notional amount and derivative asset as a result of this agreement amounted to USD39,000,000 and USD373,582, respectively.

The fair value of these derivative assets totalling to USD1,008,398 in 2019 is derived from the counterparty bank's which considers the use of market observable valuation inputs. This fair value determination is under Level 2 of the fair value hierarchy.

The Company recognises income from interest rate swap amounting to USD91,378, which represents the difference between the fixed and flowing interest as at 31 December 2019.

In 2019, the Company recognises USD917,021 in Other Comprehensive Income, which represents the unrealized fair value gain as at 31 December 2019.

12. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has no significant concentration of credit risk. The Company has policies in place to ensure that transactions are entered into only with counterparties that are of acceptable credit quality.

The maximum exposure to credit risk is represented by the net carrying amount of financial assets recorded in the financial statements.

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company monitors its liquidity risk and maintains a level of cash deemed adequate by management to finance the Company's operation and to mitigate the effects of fluctuations in cash flows. In the events of insufficient cash, the holding Company will transfer cash to the Company for it to meet its obligations.

As at the end of the reporting period, the expected contractual undiscounted cash outflows of financial liabilities are due in less than a year.

(c) *Interest rate risk*

Interest rate risk is the risk that arises when the interest rates fluctuates and directly affects the Company's profit or loss. The Company's exposure to interest rate risk relates primarily to its long-term debt with floating interest rate risk.

To mitigate the risk of unfavourable interest rate fluctuations, the Company entered into IRS agreements with various financial institutions.

13. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

14. Events after balance sheet date

On 16 January 2020, the Company issued a USD bond amounting to USD400,000,000 to be used for the reimbursement of funding the Company received for the GCMH acquisition, proposed offshore investments and for general corporate purposes. The bond bears a fixed interest rate of 4.2% payable semi-annually and will mature in 10 years. The USD bond are payable in full on 16 January 2030 with an optional redemption from year 5 onwards.

On 13 March 2020, the Company redeemed 100,000,000 of its redeemable preference shares at an amount USD1 per share or total of USD100,000,000.

15 Authorisation of financial statements

These financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors dated 30 June 2020.