

Oceana Philippines International

***Financial Statements
December 31, 2019 and 2018***

and

Independent Auditors' Report



Independent Auditors' Report

The Management
OCEANA PHILIPPINES INTERNATIONAL
(Philippine Branch Office)
Unit 201 Kalayaan Center Building
No. 65 V. Luna Road corner Kalayaan Avenue
Brgy. Pinyahan, Quezon City

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **Oceana Philippines International** (the "Branch"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in head office account and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Branch in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the 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.

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

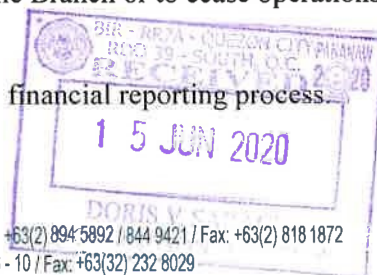
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due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

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

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

Global Reach, Global Quality

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 894 5892 / 844 9421 / Fax: +63(2) 818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph



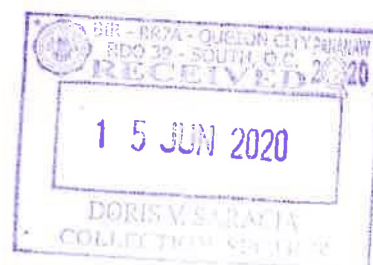
Auditors' Responsibilities for the Audits of the Financial Statements

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 Branch'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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- 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 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 audits.



Report on Supplementary Information required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 13 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **Oceana Philippines International**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIAZ MURILLO DALUPAN AND COMPANY

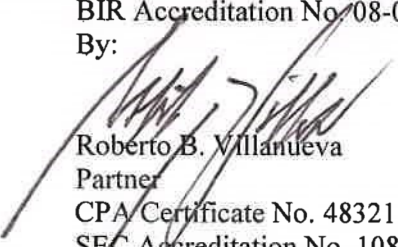
Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until August 11, 2020

SEC Accreditation No. 0192-FR-3, Group A, effective until April 2, 2022

BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022

By:


Roberto B. Villanueva

Partner

CPA Certificate No. 48321

SEC Accreditation No. 1080-AR-2, Group A, effective until May 10, 2020

Tax Identification No. 104-577-555

PTR No. 8147694, January 18, 2020, Makati City

BIR Accreditation No. 08-001911-004-2019, effective until April 9, 2022

March 31, 2020



OCEANA PHILIPPINES INTERNATIONAL*(Philippine Branch Office)***Statements of Financial Position**

	As at December 31	
	2019	2018
ASSETS		
Current Assets		
Cash - note 4	₱15,599,218	₱7,725,540
Receivables (net) - note 5	204,049	174,062
Prepayments and other current assets - note 2	723,230	-
	16,526,497	7,899,602
Noncurrent Assets		
Property and equipment (net) - note 6	2,175,521	1,931,082
Refundable deposits - notes 11 and 12	332,425	332,425
	2,507,946	2,263,507
TOTAL ASSETS	₱19,034,443	₱10,163,109
LIABILITY AND HEAD OFFICE ACCOUNT		
Current Liability		
Accounts and other payables - note 7	₱4,097,297	₱2,494,420
Head Office Account	14,937,146	7,668,689
TOTAL LIABILITY AND HEAD OFFICE ACCOUNT	₱19,034,443	₱10,163,109

(The accompanying notes are an integral part of these financial statements)

OCEANA PHILIPPINES INTERNATIONAL*(Philippine Branch Office)***Statements of Comprehensive Income**

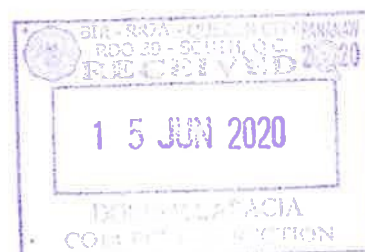
For the Years Ended December 31		
	2019	2018
EXPENSES		
Campaign expenses - note 8	P46,971,635	P45,032,134
General and administrative expenses - note 9	35,411,240	33,714,809
EXPENSES FOR THE YEAR	P82,382,875	P78,746,943

(The accompanying notes are an integral part of these financial statements)

OCEANA PHILIPPINES INTERNATIONAL
(Philippine Branch Office)
Statements of Changes in Head Office Account

	For the Years Ended December 31	
	2019	2018
HEAD OFFICE ACCOUNT		
Balance at beginning of year	₱7,668,689	₱1,285,834
Remittances from head office - note 10	89,651,332	85,129,798
Expenses for the year	(82,382,875)	(78,746,943)
	₱14,937,146	₱7,668,689

(The accompanying notes are an integral part of these financial statements)



OCEANA PHILIPPINES INTERNATIONAL
(Philippine Branch Office)
Statements of Cash Flows

	For the Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenses for the year	(P82,382,875)	(P78,746,943)
Adjustment for		
Provision for doubtful accounts - note 5	-	117,118.00
Retirement expense	1,929,092	-
Adjustment for depreciation - note 6	1,195,469	701,892
Loss from theft- note 9	76,355	-
Operating loss before working capital changes	(79,181,959)	(77,927,933)
Decrease (increase) in:		
Receivables	(29,987)	648,142
Prepayments and other current assets	(723,230)	374,911
Increase (decrease) in payables	(326,215)	(2,007,413)
Net cash used in operating activities	(80,261,391)	(78,912,293)
CASH FLOW FROM AN INVESTING ACTIVITY		
Acquisition of property and equipment - note 6	(1,516,263)	(949,573)
CASH FLOW FROM A FINANCING ACTIVITY		
Remittances from head office - note 10	89,651,332	85,129,798
NET INCREASE IN CASH	7,873,678	5,267,932
CASH - note 4		
At beginning of year	7,725,540	2,457,608
At end of year	P15,599,218	P7,725,540

(The accompanying notes are an integral part of these financial statements)



OCEANA PHILIPPINES INTERNATIONAL

(Philippine Branch Office)

Notes to Financial Statements

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

1. CORPORATE INFORMATION

Oceana, Inc., (the “Head Office”) was organized and registered under the laws of Washington D.C. USA and was licensed by the Securities and Exchange Commission (SEC) on August 14, 2014, to establish its branch office under the name and style of **Oceana Philippines International** (the “Branch”) to advocate for policy reforms to address overfishing in Philippine waters in order to enhance food security; protect access to marine resources for all sectors of the fishing community, including small-scale fishing enterprises; and restore the health of the marine ecosystem in accordance with Batas Pambansa Blg. 68 and Foreign Investments Act of 1991.

The Branch receives funds from the Head Office to support its program of addressing over-fishing as part of a comprehensive fisheries improvement strategy to reform industrial fishing, protect small-scale fishers and to improve livelihoods. The program was carried out by the Branch through different activities and campaigns (see Note 8).

The Branch’s registered office address is Unit 201, Kalayaan Center Building, No. 65 V. Luna Road corner Kalayaan Avenue, Barangay Pinyahan, Quezon City.

The financial statements of the Branch as at and for the year ended December 31, 2019, including its comparatives for 2018, were approved and authorized for issue by the Branch’s duly authorized representatives on March 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set forth to facilitate the understanding of the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Branch have been prepared in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs) adopted by Financial Reporting Standards Council (FRSC) from the pronouncement issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of these financial statements are set in this note.

The financial statements have been prepared using the measurement bases specified by the PFRS for SMEs for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the PFRS for SMEs.

All amounts are rounded to the nearest peso, except when otherwise indicated.



Cash

The Branch's cash includes cash on hand and demands deposits in banks.

Receivables

Receivables are recognized initially at the transaction price plus transaction cost. These are subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts. A provision for doubtful accounts on receivables is established when there is objective evidence that the Branch will not be able to collect all amounts due, according to the original terms of the receivables. Receivables expected to be realized within one (1) year after the reporting date or within the Branch's normal operating cycle are classified as current assets in the statements of financial position. Otherwise, these are classified as noncurrent assets.

Receivables are derecognized when the rights to receive cash flows from the receivable have expired, or if the Branch has transferred its rights to receive cash flows from the receivable.

The Branch's receivables include advances to employees and advances to suppliers.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments and other current assets are recognized when paid and carried at cost less utilized portion, if any. The account consists of prepaid medical insurance for employees. Prepaid insurance is apportioned over the period covered by the payment and charged to the appropriate accounts in the statement of comprehensive income when incurred.

Prepayments that are expected to be realized for no more than twelve (12) months after the reporting date are classified as current asset; otherwise, these are classified as other noncurrent asset.

Prepayments pertain to healthcare subscription, airfare and lodging accommodation.

Refundable deposits

Refundable deposits include security deposit for the Branch's office rental.

Security deposits represent deposits paid to various lessors that are refundable upon expiration of the lease contracts. These deposits are carried at cost, net of any accruing liabilities.

Property and equipment

Property and equipment are initially measured at cost. The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location of its intended use. Subsequent to initial recognition property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

Expenses that provide incremental future economic benefits to the Branch are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the statement of comprehensive income as incurred.

Depreciation of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	<u>In years</u>
Leasehold improvements	2
Computer equipment	5
Office and research equipment	5
Furniture and fixtures	5

Leasehold improvements are amortized over the life of the improvements or the terms of the lease, whichever is shorter.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no more future economic benefits are expected to arise from the continued use of the asset. When assets are sold or retired, their costs, their accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

At each reporting date, the Branch reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When the asset does not generate cash flows that are independent from other assets, the Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and impairment losses are recognized in the statement of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recognized in the statement of comprehensive income. The increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Accounts and other payables

Accounts and other payable are recognized in the financial statements when the Branch become a party to a contract that give rise to a receivable of another entity. They are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

They are included in current liabilities, except for maturities greater than 12 months after the reporting date, which are then classified as noncurrent liabilities.

The Branch's accounts and other payable include accrued expenses, accounts payable and government agencies. Accounts payable are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

Due to government agencies include premium and loans payable to SSS, HDMF and PHIC and withholding tax payable.

Accrued vacation liability pertains to the monetized unused vacation leave credits.

Accounts and other payable are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

Head office account

Remittance from Head office is recorded at the proceeds received, net of bank charges.

Expense recognition

Expenses are recognized in statement of comprehensive income when decrease in economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses in the statement of comprehensive income are presented using the nature method.

Campaign expenses are recognized when the related projects and campaign expenses are incurred. Campaign expenses represent costs incurred in accomplishing different milestones and activities.

General and administrative expenses constitute expenses of administering the Branch and are expensed as incurred. General and administrative expenses represent indirect costs that have been incurred by the Branch that cannot be identified specifically in reference to a particular program but relate to several programs.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases are classified as finance lease whenever the terms of the leased transfer substantially all the risks and rewards of ownership of the lease asset to the Branch.

Rights to assets held under finance leases are recognized as assets of the Branch at the fair value of the leased property at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring statement of comprehensive income. Assets held under finance lease are included in the statement of financial position.

Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of comprehensive income over the period of the lease.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly to the head office account.

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Branch reassesses the need to recognize previously unrecognized deferred income tax assets.

The Branch reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

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

The Branch had no income generating activities subject to income taxes in 2019 and 2018.

Related parties and related party transactions

Parties are considered to be related if one party has ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Provisions and contingencies

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Branch expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the reporting date

The Branch identifies post-year events as events that occurred after the reporting date but before the date when the Branch financial statements were authorized for issue. Post year-end events that provide additional information about the Branch's position at the reporting date (adjusting events) are reflected in the Branch financial statements. Post year-end events that are not adjusting events are disclosed in the Branch financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Branch's financial statements requires management to make judgments and estimates that affect amounts reported in the financial statements. These 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 the circumstances.

The Branch management believes the following represent a summary of these significant judgments and estimates and related impact and associated risks in the financial statements.

Significant accounting judgments in applying accounting policies

In the process of applying the Branch'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 financial statements.

(a) Functional currency

The Branch has determined that its functional currency is the Philippine Peso (₱). Based on the Branch's evaluation, the Philippine peso is the currency that most faithfully represents the primary economic environment in which the Branch operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Branch.

(b) Transactions and Balances

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are retranslated using the applicable rate of exchange at the end of reporting date. Foreign exchange gains or losses are recognized in the statement of comprehensive income.

(c) Operating leases

The Branch classifies the lease of its office space and photocopier as operating lease since there was no transfer of substantial risks and benefits incidental to ownership of the assets.

Key sources of estimation of uncertainty

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results could differ from these estimates. The following are the relevant estimate performed by management on its financial statements:

(a) Estimating allowance for doubtful accounts on receivables

The Branch maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the payment behavior and known market factors. The Branch then reviews the allowance on a continuous basis.

The amount of timing of recorded provision for impairment on receivables for any period would differ if the Branch made different judgments or utilized different estimates.

The Branch's receivables has a carrying amount of ₱204,049 and ₱174,062 as at December 31, 2019 and 2018, net of allowance for doubtful accounts of nil and ₱117,118, respectively (see Note 5).

(b) Estimating useful lives of property and equipment

The Branch's management determines the estimated useful lives and related depreciation for its property and equipment. This estimate is based on the period over which the assets are expected to be available for use in operations. The Branch annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. Management increases the depreciation charge where useful lives are less than previously estimated lives, or writes off or writes down impaired or non-strategic assets.

The carrying value of the Branch's property and equipment as at December 31, 2019 and 2018 amounted to ₱2,175,521 and ₱1,931,082, respectively (see Note 6).

4. CASH

This account at December 31 consists of:

	2019	2018
Cash on hand	₱23,347	₱23,347
Cash in banks	15,575,871	7,702,193
	₱15,599,218	₱7,725,540

Cash in banks does not earn interest. No restrictions are attached to the Branch's cash in banks.

5. RECEIVABLES (NET)

This account at December 31 consists of:

	2019	2018
Advances to employees	₱182,054	₱262,633
Advances to supplier	21,995	28,547
	204,049	291,180
Less: Allowance for doubtful accounts	-	117,118
	₱204,049	₱174,062

Advances to employees refer to duly approved cash advances for official business to the Branch's employees that are subject to liquidation.

In 2019, the Branch decided to write-off bad debts amounting to ₱117,118.

6. PROPERTY AND EQUIPMENT (NET)

The reconciliation of property and equipment (net) in 2019 is as follows:

	Furniture and Fixtures	Computer Equipment	Office and Research Equipment	Leasehold Improvement	Total
Net carrying amount					
January 1, 2019	₱442,379	₱937,830	₱550,873	₱-	₱1,931,082
Additions	44,051	1,238,795	233,417	-	1,516,263
Depreciation	(208,770)	(701,854)	(284,845)	-	(1,195,469)
Loss from theft	-	(62,067)	(14,288)	-	(76,355)
Net carrying amount					
December 31, 2019	₱277,660	₱1,412,704	₱485,157	₱-	₱2,175,521
Cost	₱1,066,610	₱2,829,758	₱1,569,149	₱-	₱5,465,517
Accumulated Depreciation	(788,950)	(1,417,054)	(1,083,992)	-	(3,289,996)
Net carrying amount					
December 31, 2019	₱277,660	₱1,412,704	₱485,157	₱-	₱2,175,521

The Branch's property and equipment as at December 31, 2019 and 2018 are not held as collateral for its liabilities and are free from any encumbrances.

On November 15, 2019 a burglary happened on Oceana Philippines office causing the loss of computer equipment and office and research equipment with a net book value of ₱62,067 and ₱14,289, respectively. This is presented as "Other miscellaneous cost" in general and administrative expense (see Note 9).

Based on the impairment review of the Branch's assets, the Branch believes that there is no indication that an impairment loss has occurred on its property and equipment.

7. ACCOUNTS AND OTHER PAYABLES

This account at December 31 consists of:

	2019	2018
Accounts payable	₱1,200,611	₱1,715,058
Accrued retirement benefits	1,929,092	-
Due to government agencies	845,415	638,958
Accrued vacation liability	122,179	140,404
	₱4,097,297	₱2,494,420

8. CAMPAIGN EXPENSES

This account consists of the following:

	2019	2018
Salaries and wages	₱18,081,408	₱11,175,052
Travel and transportation	8,283,099	8,794,613
Meetings and conferences	5,528,161	3,538,114
Advertising	4,132,810	4,843,396
Professional and consultancy fees	3,999,463	11,309,794
Employee benefits	3,746,392	1,385,127
Rentals	1,057,939	1,628,914
Supplies	936,001	920,505
Communication	632,579	1,027,393
Utilities	231,228	167,081
Repairs and maintenance	160,690	132,162
Bank charges	80,152	71,359
Subscription fees	74,317	25,622
Postage and delivery	21,684	12,932
Taxes and licenses	5,712	70
	₱46,971,635	₱45,032,134

The Branch's campaign expenses were grouped into operational programs and certain projects as follows:

December 31, 2019

	Fisheries Management	Habitat Protection	Transparency/ Traceability	Total
Salaries and wages	P2,462,653	P8,113,581	P7,505,174	P18,081,408
Travel and transportation	1,619,499	3,188,537	3,475,063	8,283,099
Meetings and conferences	1,121,403	2,214,212	2,192,546	5,528,161
Advertising	905,149	1,813,151	1,414,510	4,132,810
Professional and consultancy fees	386,433	1,682,301	1,930,729	3,999,463
Employee benefits	544,833	1,591,640	1,609,919	3,746,392
Rental	155,521	492,602	409,816	1,057,939
Supplies	105,759	654,816	175,426	936,001
Communications	85,802	278,366	268,411	632,579
Utilities	30,484	106,647	94,097	231,228
Repairs and maintenance	22,115	70,818	67,757	160,690
Bank charges	15,350	29,213	35,589	80,152
Subscription fees	7,614	39,858	26,845	74,317
Postage and delivery	10,062	3,535	8,087	21,684
Taxes and licenses	3,500	2,212	-	5,712
	P7,476,177	P20,281,489	P19,213,969	P46,971,635

December 31, 2018

	Destructive Fishing Practices	Fisheries Management	Habitat Protection	Transparency/ Traceability	Total
Professional and consultancy fees	₱1,819,556	₱6,768,795	₱1,938,907	₱782,536	₱11,309,794
Salaries and wages	1,396,477	4,080,634	3,552,404	2,145,537	11,175,052
Travel and transportation	1,403,931	3,801,072	1,390,969	2,198,641	8,794,613
Advertising	741,072	445,513	2,573,352	1,083,459	4,843,396
Meetings and conferences	453,156	1,164,925	1,072,459	847,574	3,538,114
Rental	90,458	296,884	1,105,010	136,562	1,628,914
Employee benefits	184,132	496,937	437,455	266,603	1,385,127
Communication	126,668	402,596	326,914	171,215	1,027,393
Supplies	12,704	222,500	493,614	191,687	920,505
Utilities	19,911	62,211	55,379	29,580	167,081
Repairs and maintenance	15,384	49,386	44,605	22,787	132,162
Bank charges	8,113	30,360	14,767	18,119	71,359
Subscription fees	4,770	6,902	6,078	7,872	25,622
Postage and delivery	188	3,497	8,234	1,013	12,932
Taxes and licenses	-	70	-	-	70
	₱6,276,520	₱17,832,282	₱13,020,147	₱7,903,185	₱45,032,134

The descriptions of the Branch's programs are as follows:

Fisheries Management Program

Protect Sardines and Establish Fisheries Management Areas by 2020

Sardines are important fisheries resources in the Philippines with 380,000 tons total landings for the year 2015 (BAS, 2015). It is one of the cheapest seafood-source of protein for most Filipinos. The sardine's industry is also an important economic driver providing jobs and livelihood, small scale entrepreneurs in the dried and smoked sector, and factory workers in the canning and bottling sectors. Ecologically, sardines are important part of the marine food chain being a major forage species of many predatory fish species, mammals, and cetaceans.

Given the significance of sardines to the Filipinos, it is imperative that these resources should be sufficiently managed for its harvests to be forever.

The Branch has been working with government since 2015 in establishing a science-based and participatory management framework and intervention to protect sardines' stocks and for the sustainable management of this fishery.

The Branch attained victory on January 28, 2019 when the Bureau of Fisheries and Aquatic Resources (BFAR) issued the Fisheries Administrative Order (FAO) No. 263 which established the 12 fisheries management areas (FMAs) covering all Philippine waters. It encouraged all coastal local government units as fisheries managers to take on shared responsibilities for the conservation and sustainable management of fishery resources.

Each FMA is expected to (a) set up its own governance structure, through a multi-sectoral management body assisted by a scientific advisory group (SAG), (b) develop its own FMA Plan to guide the policy response of BFAR regional offices, Local Government Units (LGUs), fisherfolk, industry and key stakeholders; and (c) set reference points (RPs) or critical range of values of performance indicators of fish and (d) formulate harvest control rules (HCRs) to guide management.

The Branch has assisted FMA 11, 8 and 7 in the orientation of stakeholders about FMAs.

Also, the Branch also participated in public consultations for the crafting of the National Sardine Management Framework Plan which is now for the approval of the Agriculture Secretary.

Habitat Protection Program

Deter Illegal Dump and Filling Activity by 2022

This campaign aims to deter illegal dump and fill projects that harm marine ecosystems by winning a key lawsuit over a high-profile project that forces the Department of Environment and Natural Resources (DENR) and other agencies to carry out their legal obligations to protect the environment and fisheries. The Branch has coordinated activities with strong network of partners from the public and private sectors, non-government agencies and people's organizations, and the church working together to protect Manila Bay and its rich ecosystems, birds and wildlife and fisheries that had been the source of livelihood of many artisanal fisherfolk. Manila Bay is a spawning ground for sardines. The area is likewise a geo-hazard, and science shows that it is highly vulnerable to storm surges, tsunami, subsidence and liquefaction and therefore pose serious threats to the people, and thus not suitable for a planned international airport project in Bulakan, Bulacan. The Branch's campaign is supported by the 2008 Supreme Court landmark ruling, Metro Manila Development Authority vs. Concerned Residents of Manila, which directed 12 respondent agencies including the DENR and the Department of Agriculture- BFAR to rehabilitate, protect and conserve Manila Bay. This is the case that compelled the executive department agencies to undertake a P45B massive rehabilitation program in Manila Bay. Allowing dump-and-fill projects aka reclamation runs counter to the aforesaid judgment rendered by the Supreme Court and will render to waste the taxpayers' money allocated for such rehabilitation. Respondent agencies may be declared in contempt of court if they refuse to recognize their mandates under the laws and aforementioned Ruling and give clearance for dump-and-fill projects in Manila Bay.

Strengthen Coral- Rich Marine Protected Areas by 2022

The condition of Philippine coral reefs has been in constant and rapid decline. In fact, a recent study shows that 90 percent are in poor to fair categories. This poor condition of our reefs is further exacerbated by conversion of these critical habitats into dump-and-fill projects, destructive fishing practices and other anthropogenic factors. For this campaign, a new coral reef area will be protected.

This campaign aims to get the DENR to establish a new coral-rich Marine Protected Area in Panaon Island. Panaon Island's waters are estimated at around 25,000-30,000 Hectares. Its reef is a very good candidate for conservation. It has a high diversity of fish and corals and there are signs of recovery from blast fishing in the 80's. It is a feeding grounds for whale sharks, dolphins, sea turtles and other large marine vertebrates. There are sightings of the rare and endangered Leatherback turtles. Fisherfolk benefit from the spill-over effect of at least 10 locally protected marine protected areas. Political dynamics are good, tourism potential is good.

In 2020, the Branch are looking at the DENR through the Biodiversity Management Bureau and the regional office in the area to conduct a Suitability Assessment on the Panaon Island as a protected area with a planned expedition by Oceana in partnership with the Philippine Navy and the DENR.

Ban Single-use Plastics by 2021

Marine pollution, specifically caused by plastic, is one of the grave perils faced by our ocean. Plastics is not biodegradable nor recyclable and are hazardous. In 2019, the Branch embarked on a campaign to ban single-use plastics nationwide by 2021, effected by winning a key lawsuit that compels the National Solid Waste Management Commission to carry out their legal obligation to issue a list of non-environmentally acceptable products and packaging materials which includes single-use plastics.

Working with our allies in the Break Free from Plastic coalition, the Branch will persuade local governments to enact resolutions supporting a national ban on single-use plastics through its inclusion in the list of environmentally unsound products and packaging and enact ordinances banning single use plastics in their jurisdiction.

Transparency/Traceability Program

Stop Illegal Commercial Fishing in Municipal Waters Nationwide by 2022

Highly encouraged by Branch's string of unprecedented milestones in the campaign to make Tañon Strait a model for effective law enforcement nationwide, it embarked on a new ambitious campaign goal beginning 2019, which is to effectively eliminate commercial fishing vessels from illegally fishing in municipal waters throughout the Philippines by 2022. The Branch strategies and lessons learned from the Tanon Strait campaign in bringing in national and local enforcement agencies to collaborate strongly with private and civil society sectors to ensure the implementation of our fisheries and conservation laws, the use of and mainstreaming science, technology and transparency in deterring, fighting and stopping illegal commercial fishing such as incorporating the requirement of vessel monitoring technology for all commercial fishing vessels transiting in municipal waters in the management bodies, capacity training for judges and prosecutors and providing a platform for artisanal fisherfolk to work together more effectively are going to be replicated nationwide to achieve this campaign goal.

In 2019, the Branch formalized a partnership to fight illegal fishing with the League of Municipalities of the Philippines (LMP), where coastal mayors which have jurisdiction over municipal waters, are all members. LMP and Oceana have established a pioneering online platform to report and share data on illegal fishing in the country named Karagatan Patrol. It has since evolved to become the go-to source for updates and reporting on illegal fishing among mayors, enforcers, the public and media. The Branch called the attention of mayors and national officials on the 50 hotspot areas for possible illegal commercial fishing happening in their municipal waters through the use of Visible Infrared Imaging Radiometer Suite (VIIRS) technology. Oceana, to date, has subscribed and is the only source of VIIRS data in the country apart from the US Government.

The Branch participated in the resumption of the consultations of the much-needed vessel monitoring rules initiated by the BFAR to ensure transparency in our oceans.

9. GENERAL AND ADMINISTRATIVE EXPENSES

This account for the year ended December 31 consists of the following:

	2019	2018
Salaries and wages	₱19,275,551	₱18,651,166
Employee benefits	3,530,541	1,168,622
Travel and transportation	3,325,602	4,277,538
Professional and consultancy fees	1,635,290	3,268,816
Meetings and conferences	1,608,990	1,777,931
Communication	1,587,652	1,733,593
Depreciation (see Note 6)	1,195,469	701,892
Supplies	941,120	786,187
Rental	866,959	1,071,224
Bank charges	634,386	648,119
Advertising	500,600	1,754,547
Repairs and maintenance	243,017	383,802
Training and development	214,175	95,771
Utilities	177,622	238,161
Subscription fees	167,139	56,851
Other miscellaneous cost (see Note 6)	76,355	-
Postage and delivery	37,028	28,802
Taxes and licenses	25,918	16,391
Bad debts (see Note 5)	-	117,118
Foreign exchange gain	(632,174)	(3,061,722)
	₱35,411,240	₱33,714,809

Foreign exchange gain pertains to result of transactions incurred by the Head office charged to the Branch for the use of credit cards and for the remittances made by the Head office to Branch.

10. RELATED PARTY TRANSACTIONS*a) Remittances from Head Office*

The Branch, in the normal course of business, has transactions with the Head Office in the form of cash remittances from Head Office to finance its programs, campaigns and operating expenses.

Remittance from Head Office amounted to ₱89,651,332 and ₱85,129,798 for the years ended December 31, 2019 and 2018, respectively.

b) Compensation of Key Management Personnel of the Branch

The Branch's related parties also include its key management personnel. The aggregate compensation and benefits to key management personnel of the Branch amounted to ₱10,880,476 and ₱7,586,300 in 2019 and 2018, respectively.

11. LEASE AGREEMENT

The Branch entered into lease agreement for its office space for a period of two (2) years that commenced on March 15, 2017 and expired on March 14, 2019. The lease agreement is renewable thereafter upon the mutual agreement of the parties.

The Branch renewed the lease agreement for its office for another period of three (3) years that commenced on October 15, 2019 and will expire on October 14, 2022.

Rental for office space in 2019 and 2018 amounted to ₱1,806,773 and ₱1,644,810, respectively.

Security deposits pertaining to the lease agreement amounted to ₱200,000 as at December 31, 2019 and 2018.

12. REFUNDABLE DEPOSITS

This account at December 31 consists of:

	2019	2018
Office rental deposit	₱200,000	₱200,000
Internet services deposit	121,625	121,625
Copier rental deposit	10,800	10,800
	₱332,425	₱332,425

13. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE (BIR)

The following supplementary information for the year ended December 31, 2019 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

a) Value-Added Tax

The Branch has no revenue and is not subject to VAT.

b) Taxes on importation

The Branch has no importation transaction during the year.

c) Excise Tax

The Branch has no transaction subject to excise tax during the year.

d) Documentary Stamp tax

The Branch has no transaction subject to documentary stamp tax during the year.

e) All other local and national taxes

The details of taxes and licenses paid during the year are as follows:

Business permits	₱26,468
Community tax certificate	1,972
Others	3,190
	₱31,630

f) Withholding Taxes

Details of the total withholding taxes for the year are as follows:

Withholding tax on compensation and benefits	₱7,871,277
Expanded withholding tax	717,287
	₱8,588,564

g) Deficiency Tax Assessment and Tax Cases

The Branch does not have any deficiency tax assessments with the BIR and is not involved in any other cases with the BIR or any court outside BIR as at December 31, 2019.

* * *