

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

M	I	L	E	S	T	O	N	E		G	U	A	R	A	N	T	Y		A	N	D									
A	S	S	U	R	A	N	C	E		C	O	R	P	O	R	A	T	I	O	N										

Principal Office (No./Street/Barangay/City/Town/Province)

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M	A	N	I	L	A																											

Form Type

A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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### COMPANY INFORMATION

Company's Email Address

info@milestoneguaranty.com
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Company's Telephone Number/s

8-353-80-25 to 26
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Mobile Number

09285542097
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No. of Stockholders

12
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Annual Meeting  
Month/Day

FEBRUARY 20
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Fiscal Year  
Month/Day

DECEMBER 31, 2019
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### CONTACT PERSON INFORMATION

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

  
Name of Contact Person

FLAVIANA C. GARCÉS
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Email Address

jcapati@milestoneguaranty.com
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Telephone Number/s

8-353-80-25 to 26
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Mobile Number

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Contact Person's Address

2654 Leveriza (Saygan) Street Brgy. 719, Malate, Manila
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designate

**STATEMENT OF MANAGEMENT RESPONSIBILITY FOR  
ANNUAL INCOME TAX RETURN**

The Management of **MILESTONE GUARANTY AND ASSURANCE CORPORATION** is responsible for all information and representations contained in the Annual Income Tax for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of **MILESTONE GUARANTY AND ASSURANCE CORPORATION**, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the Income Tax Return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **MILESTONE GUARANTY AND ASSURANCE CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
**NORBERTO V. SAUCÓ**  
President and CEO



**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **MILESTONE GUARANTY AND ASSURANCE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein; for the years ended December 31, 2019 and 2018 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

**I.T. SABADO & ASSOCIATES, CPAs**, the independent auditor appointed by the shareholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**SALVADOR M. MISON**  
Chairman of the Board

  
**NORBERTO V. SAUCO**  
President and CEO

  
**FLAVIANA C. GARCES**  
Chief Financial Officer (Treasurer)

Signed this 14<sup>th</sup> day of August 2020.

**SWORN DECLARATION**

**REPUBLIC OF THE PHILIPPINES**

National Capital Region

Manila City

We, **NORBERTO V. SAUCO** and **FLAVIANA C. GARCES**, both of legal age and designated as **President** and **Treasurer**, respectively, of **MILESTONE GUARANTY AND ASSURANCE CORPORATION** (the "Company"), with business address located at 2654 Leveriza St., Manila City, do hereby certify the following in compliance with the requirements of Securities and Exchange Commission Memorandum Circular No. 5-2020:

- That the Company's financial year end is December 31, 2019.
- That the Company's business operations in the country have been affected by COVID-19.
- That the preparation of financial statements and timely completion of statutory audit of the Company's financial statements as of December 31, 2019 have been affected by the travel restriction/ban, temporary suspension of business operations, and/or measures imposed by the authorities or companies in response to the COVID-19.

We hereby declare under the penalties of perjury that the foregoing attestations are true and correct.

  
**NORBERTO V. SAUCO**  
President  
TIN: 103-091-875-000

  
**FLAVIANA C. GARCES**  
Treasurer  
TIN: 122-290-626-000

SUBSCRIBED AND SWORN to before me, a Notary Public this 19 AUG 2020 at MAKATI CITY, affiant showing their TIN.

  
Notary Public  
**RODOLFO E. MENDOZA**  
Notary Public City of Makati  
Until December 31, 2020  
PTR # MKT : 8112277; Makati City/1-02-2020  
IBP #: 097210 ; Pasig City/12-11-19  
MCLE VI-0013589 / 10-2-18/Pasig City  
Roll No. 24288/TIN-127-489-549

Doc. No. 299  
Page No. 61  
Book No. X  
Series of 2020.

**SWORN DECLARATION**

**REPUBLIC OF THE PHILIPPINES**

National Capital Region

Manila City

I, **ISAGANI T. SABADO**, of legal age and designated as Managing Partner of **I.T. SABADO & ASSOCIATES, CPAs**, with business address located at 9-A-2-A Saint John St., New Era, Quezon City, do hereby certify the following in compliance with the requirements of Securities and Exchange Commission Memorandum Circular No. 5-2020:

- That I am the signing auditor of **MILESTONE GUARANTY AND ASSURANCE CORPORATION** (the "Company").
- That the Company's business operations in the country have been affected by COVID-19.
- That the preparation of financial statements and timely completion of statutory audit of the Company's financial statements as of December 31, 2019 have been affected by the travel restriction/ban, temporary suspension of business operations, and/or measures imposed by the authorities or companies in response to the COVID-19.

I hereby declare under the penalties of perjury that the foregoing attestations are true and correct.

  
**ISAGANI T. SABADO**  
Managing Partner

SUBSCRIBED AND SWORN to before me, a Notary Public this 19 AUG 2020 at MAKATI CITY, affiant showing his PRC License No.: 078824 which expires on July 10, 2022.

Doc. No. 298  
Page No. 61  
Book No. X  
Series of 2020.

  
Notary Public  
**RODOLFO E. MENDOZA**  
Notary Public City of Makati  
Term: December 31, 2020  
PTR # MKT: 9112277; Makati City/1-02-2020  
IBP # 047210; Pasig City/12-11-19  
MCLE VI-0013589 / 10-2-18/Pasig City  
Roll No. 24288/TIN-127-489-549

# I.T. SABADO & ASSOCIATES

## Certified Public Accountants

9-A-2-A Saint John St.  
New Era, Quezon City  
Tel: (632) 8290 8192

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### SUPPLEMENTAL WRITTEN STATEMENT

The Board of Directors and Shareholders  
**MILESTONE GUARANTY AND ASSURANCE CORPORATION**  
2654 Leveriza St.  
Malate, Manila

We have examined the Financial Statements of Milestone Guaranty and Assurance Corporation for the years ended December 31, 2019 and 2018, on which we have rendered the attached report dated August 14, 2020.

In compliance with SRC Rule 68, We are stating that the said company has a total number of **ten (10)** shareholders owning one hundred (100) or more shares each.

**I.T. SABADO & ASSOCIATES, CPAs**  
PRC/BOA Registration No. 1324  
Until September 10, 2021  
BIR Accreditation No. 07-000400-003-2020  
Until May 26, 2023  
IC Accreditation No. F-2018-011-R  
Until November 21, 2021

By:

  
**ISAGANI T. SABADO**  
Managing Partner  
CPA Reg. No. 078824  
Until July 10, 2022  
IC Accreditation No. SP-2018-020-R  
Until November 21, 2021  
TIN 145-707-022  
PTR No. 9543816  
January 27, 2020  
Quezon City



# I.T. SABADO & ASSOCIATES

## Certified Public Accountants

9-A-2-A Saint John St.  
New Era, Quezon City  
Tel: (632) 8290 8192

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### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
**MILESTONE GUARANTY AND ASSURANCE CORPORATION**  
2654 Leveriza St.  
Malate, Manila

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of Milestone Guaranty and Assurance Corporation, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 Standards (PFRSs).

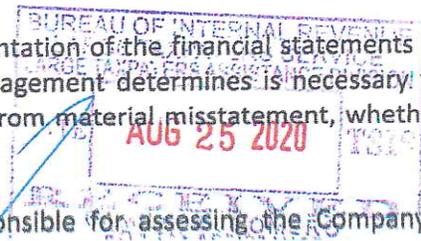
##### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's



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

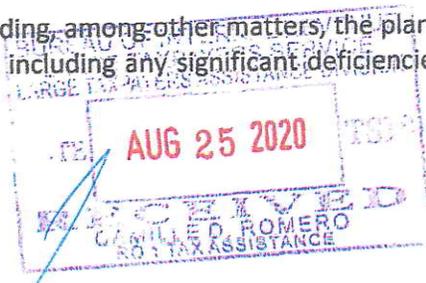
#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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 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 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 procedure 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 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 date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 audit.



## Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Notes 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 Milestone Guaranty and Assurance Corporation. The information has been subjected to the auditing procedures applied in our audits 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.

**I.T. SABADO & ASSOCIATES, CPAs**  
PRC/BOA Registration No. 1324  
Until September 10, 2021  
BIR Accreditation No. 07-000400-003-2020  
Until May 26, 2023  
IC Accreditation No. F-2018-011-R  
Until November 21, 2021

By:



**ISAGANI T. SABADO**  
Managing Partner  
CPA Reg. No. 078824  
Until July 10, 2022  
IC Accreditation No. SP-2018-020-R  
Until November 21, 2021  
TIN 145-707-022  
PTR No. 9543816  
January 27, 2020  
Quezon City

August 14, 2020



**MILESTONE GUARANTY AND ASSURANCE CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2019

(With comparative figures for 2018)

<b>ASSETS</b>					
	Notes		2019		2018
Cash and cash equivalents	4	P	376,143,972	P	367,429,140
Insurance balances receivable	5		347,025,435		241,755,077
Financial assets at fair value through other comprehensive income	6		1,786,841		1,930,764
Financial assets at amortized costs	7		310,794,422		190,898,202
Investment in stocks	8		235,215		235,215
Loans and receivables	9		246,675,047		92,567,579
Reinsurance assets	10		6,071,055		12,193,019
Deferred acquisition cost	11		45,905,060		34,292,556
Deferred reinsurance premium	12		10,987,381		9,507,423
Deferred tax asset			-		4,969,415
Property and equipment - net	13		204,676,046		189,734,028
Investment properties	14		31,691,600		31,691,600
Other assets	15		11,292,927		5,339,146
<b>TOTAL ASSETS</b>		<b>P</b>	<b>1,593,285,000</b>	<b>P</b>	<b>1,182,543,164</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**LIABILITIES**

Insurance contract liabilities	16	P	276,582,985	P	234,945,107
Reinsurance payable	17		28,705,983		32,400,419
Commission payable			37,306,442		25,794,627
Deferred commission income	18		4,606,438		3,008,522
Accounts and other payables	19		58,438,792		67,302,122
<b>Total Liabilities</b>			<b>405,640,639</b>		<b>363,450,797</b>

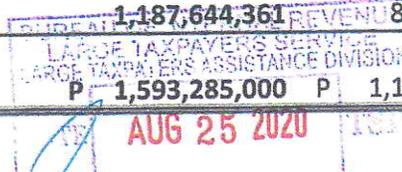
**SHAREHOLDERS' EQUITY**

Share capital	20		697,280,100		511,261,000
Subscribed share capital	21		202,719,900		38,739,000
Deposit for future subscription	22		-		27,200,000
Contingency surplus	23		500,000		500,000
Contributed surplus	24		68,812		68,812
Fluctuation reserves	25		94,606,742		95,135,515
Accumulated profits	26		192,468,807		146,188,041
<b>Total Shareholders' Equity</b>			<b>1,187,644,361</b>		<b>819,092,367</b>

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

**P 1,593,285,000 P 1,182,543,164**

See accompanying Notes to Financial Statements.



**MILESTONE GUARANTY AND ASSURANCE CORPORATION**  
**INCOME STATEMENT**

For the year ended December 31, 2019

(With comparative figures for 2018)

	Notes	2019	2018
<b>REVENUE</b>			
Gross premiums earned on insurance contracts	27 P	427,941,416 P	343,635,642
Reinsurers' share on gross premiums earned	28	21,148,057	25,684,968
<b>Net Premiums Earned</b>		<b>406,793,359</b>	<b>317,950,674</b>
Commission income	29	5,634,494	5,551,341
<b>TOTAL REVENUE</b>		<b>412,427,854</b>	<b>323,502,015</b>
<b>DIRECT COSTS</b>			
Net insurance benefits and claims	30	11,773,185	34,140,439
Commission expense	31	91,591,251	75,346,859
Other underwriting expenses	32	72,861,792	42,453,929
<b>Total Direct Costs</b>		<b>176,226,227</b>	<b>151,941,227</b>
<b>GROSS INCOME</b>		<b>236,201,626</b>	<b>171,560,788</b>
<b>OTHER INCOME</b>			
Investment and other income	33	18,458,406	10,934,931
<b>TOTAL INCOME</b>		<b>254,660,032</b>	<b>182,495,718</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
	34	<b>204,544,301</b>	<b>146,756,303</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>50,115,732</b>	<b>35,739,416</b>
<b>INCOME TAX EXPENSE</b>	35	<b>13,877,399</b>	<b>10,652,255</b>
<b>NET INCOME</b>	P	<b>36,238,332 P</b>	<b>25,087,161</b>

See accompanying Notes to Financial Statements.



**MILESTONE GUARANTY AND ASSURANCE CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2019

(With comparative figures for 2018)

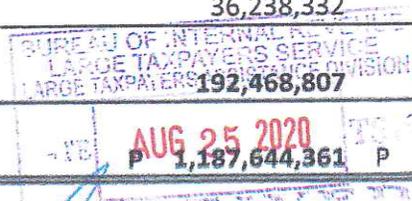
	Note	2019	2018
Net Income	P	36,238,332 P	25,087,161
<b>Other Comprehensive Income:</b>			
Unrealized gain (loss) on financial assets at fair value			
through other comprehensive income	6, 37	(143,923)	(24,168)
Amortization of revaluation surplus	26	(384,850)	(384,850)
<b>TOTAL COMPREHENSIVE INCOME</b>	P	<b>35,709,559 P</b>	<b>24,678,143</b>

See accompanying Notes to Financial Statements.



**MILESTONE GUARANTY AND ASSURANCE CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2019  
(With comparative figures for 2018)

	Notes	2019	2018
<b>SHARE CAPITAL</b>			
	20		
Authorized Share Capital - 9,000,000 shares at P100 par value			
<b>Paid-up share capital- 6,972,801 shares</b>			
Balance at beginning of year	P	511,261,000	P 444,557,700
Paid during the year		186,019,100	66,703,300
<b>Balance at end of year</b>		<b>697,280,100</b>	511,261,000
<b>SUBSCRIBED SHARE CAPITAL</b>			
	21		
Balance at beginning of year		38,739,000	105,442,300
Increase (Decrease) during the year		163,980,900	(66,703,300)
<b>Balance at end of year</b>		<b>202,719,900</b>	38,739,000
<b>DEPOSIT FOR FUTURE SUBSCRIPTION</b>			
	22		
Balance at beginning of year		27,200,000	-
Increase (Decrease) during the year		(27,200,000)	27,200,000
<b>Balance at end of year</b>		<b>-</b>	27,200,000
<b>CONTINGENCY SURPLUS</b>			
	23	500,000	500,000
<b>CONTRIBUTED SURPLUS</b>			
	24	68,812	68,812
<b>FLUCTUATION RESERVES</b>			
	25		
Balance at beginning of year		95,135,515	95,544,533
Increase (Decrease) during the year		(528,773)	(409,018)
<b>Balance at end of year</b>		<b>94,606,742</b>	95,135,515
<b>ACCUMULATED PROFITS</b>			
	26		
Balance at beginning of year		146,188,040	120,716,029
Prior year adjustments		9,657,585	-
Amortization of revaluation surplus		384,850	384,850
Net income for the year		36,238,332	25,087,161
<b>Balance at end of year</b>		<b>192,468,807</b>	146,188,040
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>P 1,187,644,361</b>	P 819,092,367



# MILESTONE GUARANTY AND ASSURANCE CORPORATION

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

(With comparative figures for 2018)

	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
Net income	P	36,238,332	P 25,087,161
Adjustment for :			
Prior year adjustments	26	9,657,585	-
Depreciation	13, 34	6,926,037	6,122,600
Provision for uncollectible accounts	5, 34	257,140	694,698
Amortized premium (discount)	7	(1,532,536)	2,471,933
Deferred tax asset		4,969,415	-
<b>OPERATING INCOME (LOSS) BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</b>		<b>56,515,973</b>	<b>34,376,392</b>
Changes in Operating Assets and Liabilities			
Decrease (Increase) in:			
Insurance balances receivable	5	(105,527,498)	1,777,867
Loans and other receivables	9	9,873,433	6,570,586
Reinsurance assets	10	6,121,965	(6,228,418)
Deferred acquisition cost	11	(11,612,504)	6,287,081
Deferred reinsurance premium	12	(1,479,958)	7,787,549
Other assets	15	(5,953,781)	(3,086,803)
Increase (Decrease) in:			
Insurance balances payable	16	41,637,878	30,256,727
Reinsurance payables	17	(3,694,436)	1,514,488
Commission payable		11,511,814	5,794,127
Deferred commission income	18	1,597,916	(94,691)
Accounts and other payable	19	(8,863,330)	(23,451,359)
<b>NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES</b>		<b>(9,872,529)</b>	<b>61,503,545</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>			
Acquisition of property & equipment	13	(21,868,056)	(8,310,593)
Acquisition of financial assets at amortized costs	7	(147,910,987)	(54,997,900)
Disposal of financial assets at amortized costs	7	29,547,303	13,015,517
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(140,231,740)</b>	<b>(50,292,976)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>			
Increase in share capital	20	186,019,100	66,703,300
Increase (Decrease) in deposit for future subscription	21	(27,200,000)	27,200,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>158,819,100</b>	<b>93,903,300</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>8,714,832</b>	<b>105,113,868</b>
<b>CASH AND CASH EQUIVALENTS AT BEG OF YEAR</b>		<b>367,429,140</b>	<b>262,315,272</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>376,143,972</b>	<b>367,429,140</b>

See accompanying Notes to Financial Statements.

