

JACKSTONES, INC.

593 Antonio Drive, Bagumbayan, Taguig City 1630

Annex F- Management's Discussion and Analysis of Financial Condition and Results of Operations

Plan of Operation

Due to uncertainty brought about by the COVID-19, the Company has no plan to acquire new lands for development in the next 12 months. It will instead offer auxiliary real estate services in order to augment its sources of revenue.

Management's Discussion and Analysis

JAS's key performance indicators are as follows:

- a. Current Ratio
- b. Acid-Test Ratio
- c. Net Debt to Equity Ratio
- d. Debt to Asset Ratio
- e. Asset to Equity Ratio

Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

The following are the key performance indicators of JAS consolidated financial statement and JPI in relation to its financial condition as of March 31, 2021 and December 31, 2020, 2019 and 2018:

	JAS and its Subsidiary				JACKSTONE PROPERTY INC.			
	March 31	December 31			March 31	December 31		
	2021	2020	2019	2018	2021	2020	2019	2018
i. Current Ratio	1.08	1.11	1.20	1.51	0.98	0.98	0.97	1.07
ii. Acid-Test Ratio	0.14	0.13	0.25	1.12	0.03	0.07	0.03	0.33
iii. Debt to Equity Ratio	10.99	7.57	4.17	1.85	(55.07)	(487.45)	(163.37)	12.33
iv. Debt to Asset Ratio	0.92	0.88	0.81	0.65	1.02	1.00	1.01	0.92
v. Asset to Equity Ratio	11.98	8.56	5.17	2.85	(54.07)	(486.45)	(162.37)	13.33

The analyses of the foregoing performance indicators are described in the financial and operational results of the Company presented in the subsequent paragraphs.

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. This tells investors how a company can maximize the current assets on its balance sheets to satisfy its current debt and other payables; calculated by dividing current assets by current liabilities.

Acid-Test Ratio

The acid-test ratio provides a simple and more accurate assessment of the Company's ability to pay its current liabilities. This is calculated as cash plus accounts receivable and short-term investment divided by current liabilities.

Debt to Equity Ratio

The debt-to-equity ratio is calculated by dividing a company's total liabilities by its shareholder equity. The ratio is used to evaluate a company's financial leverage and measure the degree to which a company is financing its operations through debt versus wholly-owned funds.

Debt to Asset Ratio

This ratio quantifies the percentage of the Company's assets that have been financed with short-term and long-term debts. This is calculated by dividing total debts by total assets.

Asset to Equity Ratio

The asset to equity ratio shows the relationship of the total assets of the company to the portion owned by shareholders. This ratio is an indicator of the company's leverage used to finance JAS.

Financial and Operational Results

Results of Operations

Comparison of key financial performance for the three (3) months period ended March 31, 2021, 2020, 2019 and 2018 are summarized in the following tables (in Php):

	2021	2020	2019	2018
Revenue	4,064,533	-	-	-
Direct cost	(3,643,871)	-	-	-
Gross Profit	420,662	-	-	-
Administrative Expenses	(3,893,405)	(3,126,115)	(1,813,661)	(1,791,176)
Operating Loss	(3,471,743)	(3,126,115)	(1,813,661)	(1,791,176)
Foreign Exchange Gain (Loss)	2,651	32,562	72,442	-
Interest Income	32,553	2,419	358,225	1,236
Finance Cost	(7,632)	-	-	-
Income Tax Benefit	-	632,262	-	-
Net Loss	(3,445,171)	(2,458,872)	(1,382,994)	(1,789,940)

The revenue recognized in the Company's financial statements in 2021 refers to the lease agreement by and between JPI and a third-party entity of the property owned by Great Circle Holdings Inc. ("GCH"), JPI's related party under common control. JPI is assigned as the authorized representative for the real property owned by GCH situated in Taguig City for a total area of 7,847.96 square meter. The lease agreement is for 25 months with escalation rate of 2.5% annually. The rental income recognized as of March 31, 2021 is amounted to P4,064,533.

The Company's negative income in 1Q 2020 and 2019 coincide with its forecast because the revenue from the Michelia Residences (the "Project") could not be recognized until there is turnover of unit/s. The Project was targeted to be completed by end of year 2020 as approved by the Housing and Land Use Regulatory Board. As of March 31, 2020, the Project was about 50% completed and on track based on the projected timeline.

There is no operation in year 2018. The significant portion of the administrative expenses of the Company pertains to salaries and benefits, repairs and maintenance, professional and consultancy fees and taxes and licenses.

Financial Condition

JAS's objective when managing capital are to support JAS's ability to effectively deploy capital and to protect the interest of its shareholders.

Management shall utilize the capital structure that generates the most value for shareholders and this may entail adjustments to dividends paid to shareholders, loans obtained from banks, and the issuance of new shares. Total capital being managed by JAS as its total equity as shown in the attached statement of financial position.

JAS is also currently negotiating with various investment groups to raise new capital and is also seriously considering another public offering to raise more funds for its investments and holdings. JAS continues to review projects, ventures, businesses and assets that can be included in the holdings of it of which JAS may issue shares in exchange for owning them.

As March 31, 2021, JAS's consolidated assets consist of cash in the amount of 4,987,531; short term investment of P12,501,668; real estate held for development and sale of P110,839,054; due from related parties of P258,080; contract assets of P1,427,900; prepayment and other current asset of P9,836,067; property and equipment – net P7,104,066; input VAT, non-current of P1,495,404; right of use assets P861,973; and deferred income tax assets P1,545,973 for a total assets of P150,857,716 compared to P137,437,020 total assets as of 31 December 2020.

Comparison of key financial position for the three (3) months period ended March 31, 2021 and calendar year ended December 31, 2020, 2019 and 2018 are summarized in the following tables:

	March 31	December 31		
	2021	2020	2019	2018
Current Assets	139,850,300	124,959,674	96,911,276	71,309,416
Non-current Assets	11,007,416	12,477,346	3,496,818	1,645,921
Total Assets	150,857,716	137,437,020	100,408,094	72,955,337
Current Liabilities	129,510,253	112,968,440	80,972,908	47,335,154
Non-current Liabilities	8,763,306	8,439,252	-	18,308
Total Liabilities	138,273,559	121,407,692	80,972,908	47,353,462
Deficit	(318,934,710)	(315,489,539)	(312,083,681)	(305,916,992)
Equity	12,584,157	16,029,328	19,435,186	25,601,875
Total Liabilities and equity	150,857,716	137,437,020	100,408,094	72,955,337

The constant increase in current assets from 2018 to 2021 is primarily due to the construction and development cost of Michelia Residences. In the same matter, the increase in liabilities of the Company is from the advances from the Shareholders to finance the Company's Project.

Likewise, the comparative increase (decrease) of financial analysis of balance as follows:

	March 31, 2021 vs December 31, 2020	March 31, 2020 vs December 31, 2019	March 31, 2019 vs December 31, 2018
Current Assets	11.92%	11.46%	(2.34%)
Non-current Assets	11.78%	24.73%	3.64%
Total Assets	9.76%	11.92%	(2.20%)
Total Liabilities	13.89%	17.81%	(0.47%)
Deficit	1.09%	0.79%	0.45%
Equity	(21.49%)	(12.65%)	(5.41%)

Legal, Regulatory, and Corporate Developments

A Memorandum of Agreement between Ketton Holdings, Inc. and the previous shareholders states that any claims filed against JAS by ING following the closing date of sale, with regards to loan extended by ING to PACEMCO, shall be for the account of the previous shareholders. Accordingly, management believes that JAS's financial position and results of operations will not be significantly affected from the ultimate disposition of outstanding legal cases and claims. Further, there are no other material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of the future financial condition of JAS.

Other Relevant Information

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of JAS with unconsolidated entities or other persons created during the reporting period. Likewise, there are no material commitments for capital expenditures.

Impact of COVID-19

The Company is affected by the outbreak of the Corona Virus Disease 2019 (COVID) due to economic slowdown resulting to losing of potential buyers who were interested to invest in real estate and the delay of project construction because of limited resources of materials and labor contractors when the lockdown of Metro Manila and provinces of Luzon was implemented in March 2020.