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BUREAU OF INTERNAL REVENUE

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Jackstones, Inc. and Subsidiary
593 Antonio Drive, Bagumbayan
Taguig City, Philippines

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jackstones, Inc. (the "Parent Company") and its subsidiary (collectively referred to as the "Group") as at December 31, 2020 and 2019, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2020;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2020;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2020; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is recognition of revenue under PFRS 15.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition under PFRS 15 The Group has started developing and pre-selling residential units in 2019. The Group adopted the revenue recognition standard, PFRS 15, Revenue from Contracts with Customers which is considered significant to our audit because this involves application of significant judgment in the identification of the contract for sale of real estate property that would meet the requirements of PFRS 15. At contract inception, the Group evaluates the following criteria before it can apply the revenue recognition model under PFRS 15: a). The parties to the contract have approved the contract and are committed to perform their obligations; b) The Group can identify each party's rights regarding the goods or services to be transferred; c) The Group can identify the payment terms for the goods or services to be transferred; d) The contract has commercial substance (i.e., the risk,	We addressed the matter by obtaining an understanding of the Group's process for sale of real estate property, including the process of implementing the revenue recognition under PFRS 15. We reviewed the accounting policies prepared by management and reviewed the contracts with customers. We evaluated and challenged the judgment made by management in applying the Group's accounting policy to the different contracts with customer. Specific procedures are discussed below: • Obtained and reviewed the terms and provisions of contracts with customers and assessed management's application of the revenue recognition criteria under PFRS 15.

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Key Audit Matter	How our audit addressed the Key Audit Matter
timing or amount of the entity's future cash flows is expected to change as a result of the contract); and e) It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group consider only the customer's ability and intention to pay that amount of consideration when it is due. This is relevant because customer's credit risk is an important part to determine whether a contract is valid. If a contract with a customer does not meet the criteria at contract inception, the Group continues to assess the contract to determine whether the criteria are subsequently met. When a contract with a customer does not meet the criteria and the Group receives consideration from the customer, the Group recognizes the consideration received as revenue only when either of the following events has occurred: a) The Group has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the Group and is non-refundable; or b) The contract has been terminated and the consideration received from the customer is non-refundable. For the year ended December 31, 2020, the Group recognized revenue from sale of real estate property amounting to P4,620,780 (2019 - Nil) (Note 11). All considerations received related to contracts with the customers that have not met the criteria are recognized as contract liabilities in the statement of financial position (Note 8).	• Examined the documents supporting the advance payments received from customers to ascertain the nature and purpose of such payments and assessed proper accounting and recording as contract liabilities in accordance with PFRS 15. • Validated that contract liabilities are properly released to revenue when all criteria for revenue recognition are met. • Evaluated the management's assessment of the collectability of the consideration and the probability that the customers will exercise their right to a refund based on the contract terms and applicable laws in the Philippines.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A (Annual Report) for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A (Annual Report) for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity in the Group 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 an entity in the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our 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 an entity within the Group to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Charsegun L. Aquino.

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Nelson Charsegun L. Aquino
Partner
CPA Cert. No. 0102077
P.T.R. No. 0011078, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 1589-AR-1, Category A; effective until September 23, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 211-507-088
BIR A.N. 08-000745-127-2019, issued on January 14, 2019; effective until January 13, 2022
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 8, 2021

Jackstones, Inc. and Subsidiary

Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	2	8,909,784	5,022,715
Short-term investment	2	4,982,833	5,196,150
Real estate held for development and sale	3	76,520,316	44,517,085
Due from related parties	7	254,732	10,296,958
Contract assets	8	1,417,900	1,393,337
Prepayments and other current assets	4	32,874,109	30,485,031
Total current assets		124,959,674	96,911,276
Non-current assets			
Property and equipment, net	5	8,427,759	494,172
Right-of-use asset, net	14	1,060,890	-
Input value-added tax	4	1,442,724	1,339,199
Deferred income tax assets	13	1,545,973	1,663,447
Total non-current assets		12,477,346	3,496,818
Total assets		137,437,020	100,408,094
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other liabilities	6	1,223,326	4,078,859
Advances from shareholders	7	102,977,769	66,277,769
Contract liabilities	8	7,587,810	10,616,280
Lease liabilities, current portion	7, 14	1,179,535	-
Total current liabilities		112,968,440	80,972,908
Non-current liabilities			
Lease liabilities, net of current portion	7, 14	411,800	-
Security deposit and advance rental	14	8,027,452	-
Total non-current liabilities		8,439,252	-
Total liabilities		121,407,692	80,972,908
Equity			
Share capital, net of treasury shares	1, 9	188,184,097	188,184,097
Share premium	9	143,334,770	143,334,770
Deficit		(315,489,539)	(312,083,681)
Total equity		16,029,328	19,435,186
Total liabilities and equity		137,437,020	100,408,094

The notes on pages 1 to 36 are integral part of these consolidated financial statements.

Jackstones, Inc. and Subsidiary

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2020
(All amounts in Philippine Peso)

	Notes	2020	2019	2018
Revenue	10	14,104,689	-	-
Cost of sales and services	11	(8,002,388)	-	-
Gross Profit		6,102,301	-	-
Operating expenses	12	(9,147,926)	(7,849,362)	(4,721,770)
Interest income	2	68,741	705,895	484,173
Foreign exchange (loss) gain	16	(287,981)	(351,638)	158,353
Loss from operations		(3,264,865)	(7,495,105)	(4,079,244)
Finance costs	7, 14	(23,519)	-	-
Loss before income tax		(3,288,384)	(7,495,105)	(4,079,244)
Income tax (expense) benefit	13	(117,474)	1,328,416	335,031
Loss for the year		(3,405,858)	(6,166,689)	(3,744,213)
Other comprehensive income		-	-	-
Total comprehensive loss for the year		(3,405,858)	(6,166,689)	(3,744,213)
Loss per share (basic and diluted)	15	(0.0136)	(0.0247)	(0.0154)

The notes on pages 1 to 36 are integral part of these consolidated financial statements.

Jackstones, Inc. and Subsidiary

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2020
(All amounts in Philippine Peso)

	Share capital (Note 9)					Share premium (Note 9)	Treasury shares (Note 9)	Deposit for future stock subscription (Note 9)	Deficit	Total equity
	Authorized		Subscribed and issued		Paid up					
	No. of shares	Amount	No. of shares	Amount	Amount					
Balances at January 1, 2018	170,000,000	170,000,000	167,559,179	167,559,179	167,559,179	113,074,880	(82)	50,884,890	(302,172,779)	29,346,088
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(3,744,213)	(3,744,213)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(3,744,213)	(3,744,213)
Transaction with owners										
Deposit for future stock subscription	330,000,000	330,000,000	82,500,000	82,500,000	20,625,000	30,259,890	-	(50,884,890)	-	-
Balances at December 31, 2018	500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	-	(305,916,992)	25,601,875
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(6,166,689)	(6,166,689)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(6,166,689)	(6,166,689)
Balances at December 31, 2019	500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	-	(312,083,681)	19,435,186
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(3,405,858)	(3,405,858)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year									(3,405,858)	(3,405,858)
Balances at December 31, 2020	500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	-	(315,489,539)	16,029,328

The notes on pages 1 to 36 are integral part of these consolidated financial statements.

Jackstones, Inc. and Subsidiary

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2020
(All amounts in Philippine Peso)

	Notes	2020	2019	2018
Cash flows from operating activities				
Loss before income tax		(3,288,384)	(7,495,105)	(4,079,244)
Adjustment for:				
Depreciation expense	5	4,023,537	54,652	14,805
Amortization of right-of-use assets	14	530,445	-	-
Unrealized foreign exchange loss (gain)	16	107,862	81,120	(61,025)
Interest expense on lease liability	7, 14	23,519	-	-
Interest income	2	(68,741)	(705,895)	(484,173)
Operating income (loss) before changes in assets and liabilities		1,328,238	(8,065,228)	(4,609,637)
Decrease (increase) in:				
Due from related parties	7	10,042,226	14,035,242	(24,332,200)
Real estate held for development and sale	3	(32,003,231)	(27,122,260)	(17,394,825)
Contract asset	8	(24,563)	(1,393,337)	-
Prepayments and other current assets	4	(1,500,222)	(29,732,023)	(727,729)
Input value-added tax, non-current	4	(103,525)	(129,902)	(163,661)
(Decrease) increase in:				
Trade payables and other liabilities	6	(2,879,052)	3,021,474	75,794
Contract liabilities	8	(3,028,470)	10,616,280	-
Security deposit and advance rental	14	8,027,452	-	-
Cash used in operations		(20,141,147)	(38,769,754)	(47,152,258)
Interest received	2	79,108	680,616	484,173
Income taxes paid	13	(899,223)	-	-
Net cash used in operating activities		(20,961,262)	(38,089,138)	(46,668,085)
Cash flow from investing activities				
Short-term investment	2	121,512	(5,265,994)	-
Acquisition of property and equipment	5	(11,957,124)	(465,539)	(60,263)
Net cash used in investing activities		(11,835,612)	(5,731,533)	(60,263)
Cash flow from financing activity				
Advances from shareholders	7	36,700,000	20,000,000	20,500,000
Increase (decrease) in cash and cash equivalents		3,903,126	(23,820,671)	(26,228,348)
Cash and cash equivalents at January 1		5,022,715	28,854,662	55,021,985
Effect of foreign exchange changes on cash and cash equivalents	16	(16,057)	(11,276)	61,025
Cash and cash equivalents at December 31	2	8,909,784	5,022,715	28,854,662

The notes on pages 1 to 36 are integral part of these consolidated financial statements.

Jackstones, Inc. and Subsidiary

Notes to Consolidated Financial Statements
As at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020
(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - Business information

1.1 General information

Jackstones, Inc. (the "Parent Company") was originally incorporated on April 22, 1964 as Pacific Cement Company, Inc. to engage in the manufacture and trading of cement and related products. In June 2000, the Securities and Exchange Commission (SEC) approved the change in primary purpose of the Company to that of a holding company and changed its corporate name to PACEMCO Holdings, Inc. (PACEMCO). Simultaneous therewith, PACEMCO spun-off its cement manufacturing and mining facility and assets to Pacific Cement Philippines, Inc. (PACEMPHIL), in exchange for 100% of the shares of stock of PACEMPHIL. This investment was subsequently sold in November 2000.

In December 2000, PACEMCO acquired 100% of the share capital of NextStage, Inc., and in June 2001, the SEC approved the merger of PACEMCO and its subsidiary, NextStage, Inc., with PACEMCO as the surviving corporation. Subsequently, the SEC also approved the change in name from PACEMCO to NextStage, Inc.

The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). As a public company, it is covered by Part I Section 2 A (i) (b) of the Revised Securities and Regulation Code (SRC) Rule 68 and also covered by additional requirement under the Revised SRC Rule 68, Part II.

On April 16, 2014, the SEC approved the Parent Company's application to change its corporate name to its present name and the extension of its corporate life for another 50 years immediately after the first 50 years from and after the date of incorporation.

On October 12, 2014, a group of individual and corporate shareholders sold their shares of stock representing 70% of the outstanding share capital of the Parent Company to Ketton Holdings, Inc. and a group of individual investors. The sale effectively transferred control of the Parent Company to Ketton Holdings, Inc., a domestic corporation registered in the Philippine SEC, who became the ultimate controlling party, owning 54% equity interest in the Parent Company.

On March 10, 2017, the Parent Company's BOD, through an amendment of the Parent Company's Articles of Incorporation, approved the increase of the Parent Company's authorized share capital from P170 million divided into 170 million shares with P1 par value per share to P500 million divided into 500 million shares with P1 par value per share. This amendment was approved and ratified by the Parent Company's shareholders during the annual shareholders' meeting on June 13, 2017. The amendment was filed and approved by the SEC on February 7, 2018.

The Parent Company's registered office, which is also its principal place of business is located at 593 Antonio Drive, Bagumbayan, Taguig City.

As at December 31, 2020 and 2019, the Company has 307 shareholders owning at least 100 shares each. Of the total shares outstanding, 20.10% were publicly held as at December 31, 2020 and 2019.

Subsidiary information

The Parent Company holds 100% ownership in the shares of stock of Jackstones Properties, Inc. (JPI). The Parent Company and its subsidiary are collectively referred to as the "Group".

JPI was incorporated and registered with the Philippine SEC on October 20, 2017 primarily to purchase, acquire, own, hold, use and dispose real property. The registered office address of JPI is located at 593 Antonio Drive, Bagumbayan, Taguig.

Status of operations

In 2018, JPI purchased a land for future development and sale to start its commercial operations. In 2019, JPI obtained the approval from Housing and Land Use Regulatory Board (HLURB) for the license to sell saleable units in the purchased land. The project has generated income in 2020.

In 2020, JPI entered into a Land Management Agreement with its related party, Great Circle Holdings Inc. which generated additional income for the subsidiary during the year.

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

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

Moreover, the shareholders continue to provide financial support to the Group to enable it to meet its financial obligations when they fall due and carry out its business operations, going forward.

Impact of COVID-19 pandemic

On March 17, 2020, the Philippine Government placed the entire Luzon island under the Enhanced Community Quarantine (ECQ) due to the increasing corona virus diseases (COVID-19) cases in the country. The ECQ mandated the closure of non-essential businesses and strict home quarantine which resulted in the slowdown of the economy. Starting June 1, 2020 and as at reporting date, the Company's principal place of business is under General Community Quarantine (GCQ) which limits movement and transportation but allows more businesses to operate at full capacity. Measures are implemented to protect the health and safety of company employees, support business continuity, and manage financial impact to a minimum.

As a result of the COVID-19 pandemic, construction activities for the Michelia Residences project were halted from the start of the ECQ. The construction resumed only in the last quarter of 2020 when JPI was given the clearance by the Local Government Unit (LGU) of Marikina to continue its operation.

Management is unable to reasonably estimate the financial impact of this event on its financial position, results of operation or cash flows in the next financial year due to the uncertainty of the future outcome of the current event. Management will continue to monitor the business developments amidst the pandemic and update the assessments made.

Approval of the financial statements

These consolidated financial statements of the Group were authorized and approved for issuance by the Parent Company's BOD on April 8, 2021.

Note 2 - Cash and cash equivalents

Cash and cash equivalent at December 31 consist of:

	2020	2019
Cash on hand	2,000	2,000
Cash in banks	7,907,784	5,020,715
Cash equivalents	1,000,000	-
	8,909,784	5,022,715

Cash in banks earn interest at the respective bank deposit rate. Cash equivalents represent short-term investment with local bank having maturity of less than three (3) months from the date of placement and earning interest ranging from 1.75% to 1.85%.

Short-term investment

As at December 31, 2020, the Company has short-term investment amounting to US$103,731 or P4,982,833 (2019 - US$102,407 or P5,196,150) with a local bank having a maturity of six (6) months from the date of placement and earning interest of 0.75% (2019 - 2.25%) per annum.

Interest income earned from bank deposits, cash equivalents and short-term investment for the year ended December 31, 2020 amounted to P68,741 (2019-P705,895; 2018 - P484,173).

Accrued interest from short-term deposits as at December 31, 2020 amounted to P14,912 (2019 - P25,279) and presented as part of prepayments and other current assets (Note 4) in the statements of financial position.

Note 3 - Real estate held for development and sale

Real estate held for development and sale represent the construction of Michelia Residences, a townhouse project, in which JPI has been granted license to sell by the Housing and Land Use Regulatory Board (HLURB) of the Philippines. These include real estate held for sale on completed projects and cost of construction for on-going projects.

The movements in real estate held for development and sale for the year ended December 31 follows:

	2020	2019
Balance at January 1	44,517,085	17,394,825
Additions during the year	35,578,465	27,122,260
Charged to cost of sales	(3,575,234)	-
Balance at December 31	76,520,316	44,517,085

Real estate held for development and sale recognized as cost of sales for the year ended December 31, 2020 amounted to P3,575,234 (2019 - Nil) (Note 11).

Critical accounting judgment: Provision for losses on real estate held for development and sale

The Group provides for an allowance to write down real estate held for development and sale whenever the net realizable value becomes lower than cost. The allowance account is reviewed periodically.

As at December 31, 2020 and 2019, the Group has not provided any allowance for losses on land held for development and sale based on the assessment as described above.

Note 4 - Prepayments and other current assets; Input VAT, non-current

Prepayments and other current assets as at December 31 consist of:

	Note	2020	2019
Advances to a contractor		21,871,480	21,870,141
Input value-added tax (VAT)		7,996,625	6,511,290
Restricted cash		1,991,428	1,991,428
Creditable withholding taxes		899,223	-
Advances to employees		39,000	39,000
Interest receivable	2	14,912	25,279
Prepayments		6,600	-
Others		54,841	47,893
		32,874,109	30,485,031

Advances to a contractor represent advanced payments which are settled through provision of construction services and delivery of materials. The services and materials are expected to be received within 12 months from reporting date.

Restricted cash pertains to cash held in escrow in compliance with the requirements of HLURB for a license to sell and certificate of registration. The restricted cash are refundable and will be derecognized upon completion of the townhouse project. The Group received the Certificate of Full Compliance from HLURB on February 4, 2021.

Advances to employees pertain to cash advances for operating expenses which are expected to be liquidated within 12 months from date of receipt.

Input VAT, non-current asset

The Group presented the input VAT related to the Parent Company amounting to P1,442,724 as at December 31, 2020 (2019 - P1,339,199) as non-current asset since the management assessed that there will be no activities that will generate revenue that are subject to VAT within the next 12 months.

The Group has identified target projects, ventures, businesses and assets that can be included in the holdings and that will generate revenue that are subject to VAT. Management assessed that it is premature to recognize an impairment of the input VAT as management's intention is to apply it against future VAT obligations.

Critical accounting judgment: Recoverability of input VAT

In determining the recoverable amount of input VAT, management considers the probability of future transactions that will be available against which the input VAT can be utilized, including adequacy of and compliance with the required documentation for anticipated tax audits in case the Group opted to file for refund with the tax authorities in the future.

Management uses judgment based on the best available facts and circumstances, including but not limited to, the adequacy of documentation, timely filing of application with the tax authority and evaluation of the individual tax credit claim's future recoverability and utilization. As of reporting date, management believes that it will be able to recover these input VAT on the following basis:

- Input VAT carried in the VAT returns does not expire and can be used against future output VAT obligations. As disclosed in Note 1, the Parent Company has identified target projects and business ventures that will generate revenues subject to VAT; and

- The Group has the option to apply for a tax refund on unused input VAT within a period of two (2) years.

Note 5 - Property and equipment, net

Property and equipment as at December 31 consist of:

	Furniture and fixtures	Office equipment	Leasehold improvements	Total
At January 1, 2019				
Cost	9,370	92,066	-	101,436
Accumulated depreciation	(469)	(17,682)	-	(18,151)
Net carrying value	8,901	74,384	-	83,285
For the year ended December 31, 2019				
Opening net carrying value	8,901	74,384	-	83,285
Additions	56,647	408,892	-	465,539
Depreciation	(4,181)	(50,471)	-	(54,652)
Closing net carrying value	61,367	432,805	-	494,172
At December 31, 2019				
Cost	66,017	500,958	-	566,975
Accumulated depreciation	(4,650)	(68,153)	-	(72,803)
Net carrying value	61,367	432,805	-	494,172
For the year ended December 31, 2020				
Opening net carrying value	61,367	432,805	-	494,172
Additions	-	224,811	11,732,313	11,957,124
Depreciation	(13,205)	(113,623)	(3,896,709)	(4,023,537)
Closing net carrying value	48,162	543,993	7,835,604	8,427,759
At December 31, 2020				
Cost	66,017	725,769	11,732,313	12,524,099
Accumulated depreciation	(17,855)	(181,776)	(3,896,709)	(4,096,340)
Net carrying value	48,162	543,993	7,835,604	8,427,759

Depreciation expense charged to profit or loss are as follows:

	Notes	2020	2019
Cost of sales and services	11	3,896,709	-
Operating expenses	12	126,828	54,652
		4,023,537	54,652

Critical estimate - Useful lives of property and equipment

The Company determines the estimated useful lives for its property and equipment based on the period over which the assets are expected to be available for use. The Company 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 has assessed that the useful lives of property and equipment are appropriate.

Critical judgment - Impairment of property and equipment

The Company likewise reviews the carrying values of property and equipment and assesses them for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management uses judgment based on available facts and circumstances, but not limited to evaluation of the future recoverability of property and equipment, in assessing whether a provision for impairment is required.

Management believes that there are no significant events or changes in circumstances which indicate that the carrying amount may not be recoverable at reporting date.

Note 6 - Trade payables and other liabilities

Trade payables and other liabilities as at December 31 consist of:

	2020	2019
Accrued expenses and other liabilities	628,321	640,036
Trade payables	434,085	411,731
Payable to regulatory agency	137,401	234,905
Interest payable to a related party	23,519	-
Customer refunds	-	2,163,500
Accrued commission	-	628,687
	1,223,326	4,078,859

Trade payables are non-interest bearing and are normally settled within 30 days. Accrued expenses mainly consist of accruals for audit fee and other professional fees.

Customer refunds mainly consists of amounts to be returned to customers who have decided to exercise their right to refund in accordance with their agreement with JPI.

Accrued commission pertains to commission incurred but not yet paid in order to consummate the contract of sale for real estate properties.

There are neither guarantees nor assets pledged to secure the Group's liabilities at December 31, 2020 and 2019.

The carrying amounts of trade payables and other liabilities approximate their fair values due to their short-term maturities.

Note 7 - Related party transactions

The table below summarizes the Group's transactions and balances with its related parties.

	Transactions			Outstanding balance		
	2020	2019	2018	2020	2019	Terms and conditions
Due from *Entities under common control*	-	7,034,758	24,332,200	254,732	10,296,958	Due from an entity under common control are related to payments made on behalf of the related party. These are non-interest bearing, unsecured, collectible in cash and on demand.
Land Management Agreement (Note 14) *Entity under common control*	1,591,335	-	-	1,591,335	-	Due to an entity under common control are related to Land Management Agreement with Great Circle Holdings, Inc. (Note 14). These are non-interest bearing, unsecured and payable in cash.
Interest payable (Note 6) *Entity under common control*	23,519	-	-	23,519	-	This pertains to the interest on lease liabilities as discussed in Note 14.
Advances from *Shareholders*	36,700,000	20,000,000	20,500,000	102,977,769	66,277,769	Advances are extended for working capital requirements which are payable in cash with no fixed repayment date. These are non-interest bearing, unguaranteed and unsecured.
Key management compensation *Salaries and other short-term benefits (Note 13)*	3,267,788	3,239,404	1,295,297	152,211	102,568	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in cash every month. The Parent Company has not provided share-based payments, termination benefits or other long-term benefits to its key management personnel for the years ended December 31, 2020, 2019 and 2018.

In the normal course of the business, the Group receives advances from the shareholders for working capital purposes. The carrying amount of advances from shareholders approximates its fair value due to its short-term maturity.

Critical accounting judgment: Provision for impairment of amount due from related parties

Provision for impairment of amount due from a related party is maintained at a level considered adequate to provide for potentially uncollectible receivables. Provision for impairment is determined using expected credit losses (ECLs). Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are exposed low credit risk.

Expected credit losses on these balances have therefore been assessed to be insignificant as at December 31, 2020 and 2019.

Note 8 - Contract assets; contract liabilities

Contract assets

The Group has recognized contract assets as at December 31, 2020 related to brokers' commission amounting to P1,417,900 (2019 - P1,393,337). Brokers' commission pertains to the amount to be incurred in order to consummate the contract of sale for real estate properties. A portion is paid upon signing of the contract to sell and the remainder is to be paid once the deed of absolute sale has been issued to the buyer.

Contract assets recognized as expense for the year ended December 31, 2020 amounted to P169,313 (2019 - Nil).

Contract liabilities

Contract liabilities consist of customer deposits and advance payments for additional improvement on bare units that have not yet been rendered. The Group will recognize the revenue as the construction is completed, which is expected to occur over the next 12 months from the reporting date.

Contract liabilities as at December 31, 2020 amounted to P7,587,810 (2019 - P10,616,280). For the year ended December 31, 2020, the Group has recognized revenue of P4,620,780 (2019 - Nil) from the balance of contract liabilities as at December 31, 2019.

Critical accounting judgment: Revenue recognition

At contract inception, the Group evaluates the following criteria before it can apply the revenue recognition model under PFRS 15: a) The parties to the contract have approved the contract and are committed to perform their obligations; b) The entity can identify each party's rights regarding the goods or services to be transferred; c) The entity can identify the payment terms for the goods or services to be transferred; d) The contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and e) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. This is relevant because customer's credit risk is an important part to determine whether a contract is valid.

If a contract with a customer does not meet the criteria, the Group shall continue to assess the contract to determine whether the criteria are subsequently met. When a contract with a customer does not meet the criteria and the Group receives consideration from the customer, the Group recognizes the consideration received as revenue only when either of the following events has occurred: a) The Group has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the Group and is non-refundable; or b) The contract has been terminated and the consideration received from the customer is non-refundable.

As at December 31, 2020, only one of the contracts with the customers have met the criteria for revenue recognition. The Group recognized the consideration received from the customers as contract liabilities and will continue to reassess if the revenue recognition criteria are subsequently met.

Note 9 - Equity

Share capital, net of treasury shares

Details of share capital as at December 31, 2020 and 2019 are as follows:

	Shares	Amount
Common shares at P1 par value per share		
Authorized share capital	500,000,000	500,000,000
Fully paid		
Share capital issued	167,559,179	167,559,179
Treasury shares	(82)	(82)
Share capital issued and outstanding	167,559,097	167,559,097
Partially paid		
Subscribed share capital	82,500,000	82,500,000
Subscription receivable	(61,875,000)	(61,875,000)
Subscribed and paid	20,625,000	20,625,000
Share capital, net of treasury shares	188,184,097	188,184,097

Each common share confers upon a common shareholder: a) the right to vote at any shareholder's meeting or on any resolution of the shareholders; and b) the right to distribution of income under such terms and conditions as the BOD may approve. All holders of common shares shall have no pre-emptive rights to acquire new shares (including any common shares, securities convertible or exchangeable into shares, options, warrants or other rights to purchase or subscribe for shares or securities convertible or exchangeable into shares) to be issued by the Parent Company.

The Parent Company's record of registration of its securities under the Securities Regulation Code follows:

Date of approval	February 7, 2018	October 27, 1967
Number of shares registered	330,000,000	170,000,000
Issued/offer price	2.50	2.30

As at December 31, 2020 and 2019, the Parent Company has 307 shareholders owning at least 100 shares each of the Parent Company's common shares.

Share premium

Details of share premium as at December 31 are as follows:

	2020	2019
Beginning balance	143,334,770	143,334,770
Additions during the year	-	-
Ending balance	143,334,770	143,334,770

In 2013, as part of the Parent Company's equity restructuring and to improve and strengthen the financial condition of the Parent Company without affecting the present ownership, the Board of Directors approved the conversion of the Parent Company's due to related parties, advances from shareholders and deposits for future shares subscriptions aggregating to P113,074,880 to additional paid in capital on April 30, 2013. On the same date, the Parent Company's shareholders approved such conversion into equity (under share premium).

On February 7, 2018, the SEC approved the Parent Company's increase in authorized capital stock. As a result, portion of the deposit for future stock subscription was transferred to share premium amounting to P30,259,890.

Proceeds from deposit for future stock subscription

On July 27, 2017, the Parent Company and its parent company, Ketton Holdings, Inc., entered into a subscription agreement to subscribe to 82,500,000 new common shares at P2.50 per share or a total of P206,250,000. Cash received as initial payment for the subscribed shares amounted to P50,884,890, net of share issuance costs amounting to P677,610.

Subscription Receivable

Details of the subscribed shares and subscription receivable are as follow:

	Share capital subscribed		Share	
	No. of shares	Amount	premium	Total amount
Total subscription	82,500,000	82,500,000	123,750,000	206,250,000
Subscribed and paid, gross of share issuance costs	(20,625,000)	(20,625,000)	(30,937,500)	(51,562,500)
Subscription receivable	61,875,000	61,875,000	92,812,500	154,687,500

Note 10 - Revenue

The Group's revenue from contracts with customers for the years ended December 31 are as follows:

	Note	2020	2019
Sale of real property held for development and sale		4,620,780	-
Rental income	14	9,483,909	-
		14,104,689	-

Sale of real property held for development and sale are revenue from contracts with customers recognized over time as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Rental income is recognized on a straight-line basis over the lease term as provided under the terms of the lease contract.

Note 11 - Cost of sale and services

Cost of sale and services for the years ended December 31 consist of:

	Notes	2020	2019
Cost of real property held for development and sale	3	3,575,234	-
Cost of services			
Depreciation expense	5	3,896,709	-
Amortization of right-of-use asset	14	530,445	-
		8,002,388	-

Cost of real property held for development and sale includes allocated cost of land acquisition, site developmental cost, house construction cost, and other costs attributable to bringing the real estate inventories to its intended condition.

Note 12 - Operating expenses

The components of administrative expenses for the years ended December 31 are as follows:

	Notes	2020	2019	2018
Salaries and other employee benefits	7	3,267,788	3,239,404	1,295,297
Professional and consultancy fees		3,073,633	2,367,467	1,268,229
Commission expense		1,524,031	320,796	-
Taxes, licenses and regulatory fees		431,680	356,572	1,203,095
Meeting expenses		359,418	377,879	526,303
Depreciation expense	5	126,828	54,652	14,805
Office supplies		35,148	211,174	-
Donations		34,819	-	-
Transportation expense		32,863	347,254	213,709
Miscellaneous		261,718	574,164	200,332
		9,147,926	7,849,362	4,721,770

In 2020, 2019 and 2018, taxes, licenses and regulatory fees mainly represent SEC regulatory fees, business permit and other local taxes.

Miscellaneous expense mainly pertains to advertising and promotion, bank charges, representation and web/internet expenses.

Note 13 - Income tax

The components of income tax (expense) benefit as shown in statements of total comprehensive income for the year ended December 31 are as follows:

	2020	2019	2018
Deferred tax benefit	-	1,328,416	353,339
Deferred tax expense	(117,474)	-	(18,308)
	(117,474)	1,328,416	335,031

Deferred income tax assets

The Group has a total deferred income tax (DIT) asset amounting to P4,812,127 (2019 - P4,686,308), of which P1,545,973 (2018 - P1,663,447) related to JPI was recognized and P3,266,154 (2019 - P3,022,861) related to the Parent Company was unrecognized.

Recognized DIT asset

Recognized DIT asset as at December 31 consist of the tax effect of the following temporary differences:

	2020	2019
Lease liabilities, net	159,134	-
Net operating loss carryover (NOLCO)	1,386,839	1,663,447
	1,545,973	1,663,447

In compliance with the Tax Reform Act (Act) of 1997, NOLCO for any taxable year shall be carried over as deduction from taxable income for the next three (3) consecutive taxable years immediately following the year of such loss.

Details of JPI's NOLCO are as follows:

Year loss was incurred	Year of expiration	2019	Additions during the year	Utilized during the year	2020
2018	2021	1,177,798	-	(922,026)	255,772
2019	2022	4,367,026	-	-	4,367,026
		5,544,824	-	(922,026)	4,622,798
Tax rate		30%	30%	30%	30%
		1,663,447	-	(276,608)	1,386,839

The realization of the future tax benefit related to the deferred tax asset is dependent on the JPI's ability to generate future taxable income prior to the expiration of the NOLCO.

Management has considered these factors in reaching a conclusion to recognize DIT assets in the statements of financial position at December 31, 2020 and 2019.

Unrecognized DIT assets

The Group's unrecognized DIT assets as incurred by the Parent Company as at December 31 are as follows:

	2020	2019
Net operating loss carryover (NOLCO)	3,233,795	2,998,525
Unrealized foreign exchange loss	32,359	24,336
	3,266,154	3,022,861

In 2020, pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

The details of the Parent Company's NOLCO as at December 31 are as follow:

Year loss was incurred	Year of expiration	2019	Additions during the year	Expired during the year	2020
2017	2020	2,856,610	-	(2,856,610)	-
2018	2021	3,446,644	-	-	3,446,644
2019	2022	3,691,829	-	-	3,691,829
2020	2025	-	3,640,844	-	3,640,844
		9,995,083	3,640,844	(2,856,610)	10,779,317
Tax rate		30%	30%	30%	30%
		2,998,525	1,092,253	(856,983)	3,233,795

Realization of the future tax benefits related to the DIT asset is dependent on many factors, including the Parent Company's ability to generate taxable income. Management has considered these factors in reaching a conclusion not to recognize the Parent Company's DIT assets in the consolidated statements of financial position.

The reconciliation of income tax computed at the statutory income tax rate to income tax benefit as shown in the statement of total comprehensive income for the years ended December 31 is as follows:

	2020	2019	2018
Loss before income tax at 30% rate	986,515	2,248,532	1,223,773
Adjustments for:			
Interest income subject to final tax	20,623	211,769	145,251
Unrecognized tax benefit on NOLCO	(1,092,253)	(1,107,549)	(1,033,993)
Unrecognized tax benefit from unrealized foreign exchange loss	(32,359)	(24,336)	-
	(117,474)	1,328,416	335,031

Critical judgment- Deferred income taxes

PFRS requires the recognition of deferred income tax (DIT) assets to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Determining the realizability of DIT assets requires the estimation of profits expected to be generated from operations.

Management assessed that the Parent Company will not generate sufficient future taxable profits to realize the DIT assets.

Note 14 – Lease agreement

Group as the lessee

Land Management Agreement

In 2020, JPI and Great Circle Holdings, Inc. (GCH) entered into a Land Management Agreement granting JPI the right to maintain and utilize the property of GCH situated at 593 San Antonio Drive, Taguig Bagumbayan Industrial Park, Taguig City consisting of land and warehouses for leasing activities to third-parties or its related parties. JPI will receive the entire amount of rental income from third-parties or its related parties' lessees and in turn, pay GCH a 5% consideration, contingent on the rental income received. This is to allow JPI to recoup the costs incurred to improve the warehouses.

The agreement is for a period of two (2) years beginning May 4, 2020 until May 3, 2022, renewable upon mutual agreement of the parties. The foregoing agreement qualified as lease under PFRS 16.

Amounts recognized in the statements of financial position as at December 31 are as follows:

	Note	2020	2019
Right-of-use asset			
Beginning of the year		-	-
Additions during the year		1,591,335	-
Amortization	11	(530,445)	-
		1,060,890	-
Lease liability			
Current		1,179,535	-
Non-current		411,800	-
		1,591,335	-

There are no cash outflow for leases for the year ended December 31, 2020.

Amounts recognized in the statements of total comprehensive income for the years ended December 31 are as follows:

	Note	2020	2019
Amortization expense on right-of-use asset	11	530,445	-
Interest expense on lease liability		23,519	-
		553,964	-

Discount rate

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical estimates: Determination of incremental borrowing rate

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to the Group and (2) security using the right-of-use assets.

Critical judgment: Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Future minimum lease payments under lease liabilities and the net present value of the minimum lease payments as at December 31 follows:

	2020	2019
Not later than 1 year	1,229,521	-
Later than 1 year but not more than five years	416,615	-
	1,646,136	-
Future finance charges	(54,801)	-
	1,591,335	-

The present value of lease liabilities at December 31 is as follows:

	2020	2019
Not later than 1 year	1,179,535	-
Later than 1 year but not more than five years	411,800	-
	1,591,335	-

Group as the lessor

Lease agreement with a third-party lessee

On May 4, 2020, the Group entered into a contract of lease with a third-party lessee for the property of GCH covered under the Land Management Agreement (Note 11). The lease contract is for a period of two (2) years and one (1) month beginning May 4, 2020 and terminating on June 3, 2022, unless pre-terminated or cancelled in accordance with the lease contract. The contract of lease is renewable for a period of one (1) year upon mutual agreement of the parties. An escalation of 2.5% will be effected on the rental amount on the second year of the lease.

The contract requires security deposits equivalent to three (3) months of rental amount or P3,861,306, which is refundable without interest, 90 days after the expiration of the contract or termination without prejudice to the lessor's right to deduct from the said deposit any unpaid amount due and owing to the lessor and to deduct any and all expenses which the lessor may incur as a consequence and/or result of the lessee's use of the leased premises.

The contract also requires advance rental payments equivalent to the last three (3) months of the lease period or P4,166,146. The advance rental shall apply to and be deemed payments for rentals accruing on the last three months of the lease period.

The security deposits and advance rental payments from the lessee are presented as non-current liability in the statements of financial position.

Rental income from the lease contract amounted to P9,483,909 for the year ended December 31, 2020 (2019 - nil).

The total estimated future minimum rental income on the lease of property as at December 31 are as follows:

	2020	2019
Not later than 1 year	15,625,418	-
Later than 1 year but not more than 5 years	6,564,220	-
	22,189,638	-

Note 15 - Loss per share

Loss per share (basic and diluted) was computed as follows:

	2020	2019	2018
Loss for the period	(3,405,858)	(6,166,689)	(3,744,213)
Weighted average number of outstanding shares	250,059,097	250,059,097	243,184,097
Loss per share	(0.0136)	(0.0247)	(0.0154)

Note 16 - Foreign currency denominated monetary asset

The Group's foreign currency denominated asset as at December 31, 2020 and 2019 pertains to its cash in bank and cash equivalent.

As at December 31, 2020

	US Dollar	Exchange rate at December 31	Peso equivalent
Cash in bank	6,224	48.04	299,001
Short-term investment	103,731	48.04	4,982,833
	109,955		5,281,834

As at December 31, 2019

	US Dollar	Exchange rate at December 31	Peso equivalent
Cash in bank	6,218	50.74	315,501
Cash equivalent	102,407	50.74	5,196,150
	108,625		5,511,651

Foreign exchange gain (loss) for the years ended December 31 consists of:

	2020	2019	2018
Realized foreign exchange (loss) gain	(180,119)	(270,518)	97,328
Unrealized foreign exchange (loss) gain	(107,862)	(81,120)	61,025
	(287,981)	(351,638)	158,353

Note 17 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group believes the following represent a summary of these significant estimates, assumptions and judgments and their related impact and associated risks in the consolidated financial statements:

17.1 Critical accounting estimates

- *Useful lives of property and equipment (Note 5)*
- *Determining incremental borrowing rate (Note 14)*

17.2 Critical judgments in applying the Company's accounting policies

- *Provision for losses on land held for development and sale (Note 3)*
- *Impairment of property and equipment (Note 5)*
- *Provision for impairment of amount due from related party (Note 7)*
- *Revenue recognition (Note 8)*
- *Recoverability of DIT assets (Note 13)*
- *Determining lease term (Note 14)*

Note 18 - Financial risk and capital management

18.1 Financial risk management

The Group's overall risks management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Foreign exchange risk

The Group is exposed to foreign exchange risk primarily with respect to its cash and cash equivalents maintained in U.S. Dollar. The Group's financial position and results of operations are affected by the movement in the U.S. Dollar to Philippine Peso exchange rate. Foreign exchange risk arises when recognized assets denominated in a currency that is not the entity's functional currency.

Transactions denominated in foreign currencies and related exchange rates are monitored by management in order to minimize risk based on Group's policies.

The Group's foreign denominated financial assets are presented in Note 16.

The following table demonstrates the sensitivity to a reasonably possible change in U.S. Dollar currency rates against the Philippine Peso with all variables held constant, of the Group's post-tax profit for the years ended December 31:

	2020	2019
U.S. Dollar strengthened/weakened	+/-0.18%	+/-0.32%
Effect on pre-tax profit and equity	+/-9,346	+/-17,362

The sensitivity rates used represent the rates of change between the foreign currency at December 31, 2020 and 2019 and the foreign currency exchange rates determined 30 days from the reporting period, by which management is expected to realize the Group's financial assets.

Credit risk

Credit risk refers to the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Group's business, could result to losses that are different from those provided for at reporting date.

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on amount due from related parties. The fair values of these financial assets approximate their net carrying amounts.

The Group has the following financial assets as at December 31, 2020 and 2019 where the expected credit loss model has been applied:

Class of financial assets	At gross amounts	Expected credit losses	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
December 31, 2020					
Cash and cash equivalents*	8,907,784	-	8,907,784	Performing	12-month ECL
Short-term investment	4,982,833	-	4,982,833	Performing	12-month ECL
Interest receivable	14,912	-	14,912	Performing	12-month ECL
Due from related parties	254,732	-	254,732	Performing	12-month ECL
Restricted cash	1,991,428	-	1,991,428	Performing	12-month ECL
Total	16,151,689		16,151,689		

**Excluding cash on hand amounting to P2,000*

Class of financial assets	At gross amounts	Expected credit losses	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
December 31, 2019					
Cash and cash equivalents*	5,020,715	-	5,020,715	Performing	12-month ECL
Short-term investment	5,196,150	-	5,196,150	Performing	12-month ECL
Interest receivable	25,279	-	25,279	Performing	12-month ECL
Due from related parties	10,296,958	-	10,296,958	Performing	12-month ECL
Restricted cash	1,991,428	-	1,991,428	Performing	12-month ECL
Total	22,530,530	-	22,530,530		

**Excluding cash on hand amounting to P2,000*

Cash and cash equivalents

To minimize credit risk exposure from cash and cash equivalents and short-term investment, the Group maintains cash deposits and short-term placements in reputable banks. The Group assesses that cash and cash equivalents have low credit risk considering the bank's external credit ratings.

The Group maintains all of its cash deposits and short-term placements in banks with strong credit ratings to minimize exposure to credit risk. Amounts deposited in these banks as at December 31, are as follows:

	2020	2019
Universal bank	8,388,602	2,728,973
Thrift bank	4,982,833	5,196,150
Commercial bank	519,182	2,291,742
	13,890,617	10,216,865

The remaining balance of cash and cash equivalents as at December 31, 2020 and 2019 amounting to P2,000 represent cash on hand, which is not exposed to credit risk (Note 2).

Due from related parties

Due from related parties are collectible on demand and therefore, expected credit losses are based on the assumption that repayment of balances outstanding are demanded at the reporting date. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, Parent Company has assessed that the outstanding balances are exposed to low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its operating cash requirements. The Group manages liquidity risk by monitoring expected cash flows and seeks funding from its shareholders to meet its operating commitments.

The Group's financial liabilities as at December 31, which are due and demandable, are as follows:

	Notes	2020	2019
Trade payables and other liabilities	6	1,085,925	3,843,954
Advances from shareholders	7	102,977,769	66,277,769
Security deposits	14	3,861,306	-
Lease liabilities including future interest	14	1,646,136	-
		109,571,136	70,121,723

As at December 31, 2020, trade payables and other liabilities presented above exclude amounts payable to BIR amounting to P137,401 (2019 - P 234,905). Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

18.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to implement business plans to make the Group profitable in the future.

In order to maintain or adjust the capital structure, the Group may issue new shares. Total capital being managed by the Group as at December 31, 2020 and 2019 consists of:

	Note	2020	2019
Share capital, net of treasury shares	9	188,184,097	188,184,097
Share premium	9	143,334,770	143,334,770
Deficit		(315,489,539)	(312,083,681)
		16,029,328	19,435,186

The Group has identified target projects, ventures, businesses and assets that can be included in the holdings of the Group for which the Group may issue shares in exchange for owning them.

As discussed in Note 1, the Parent Company obtained approval from the SEC on February 7, 2018 for the Parent Company's increase in authorized capital stock amounting to P330,000,000. This enabled the Group to generate further capital infusion from its shareholders to support its business plans.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, to be held by the public.

The Parent Company has complied with the minimum public float as at December 31, 2020 and 2019.

Note 19 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

19.1 Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention.

The Group is monitored as a single operating segment considering the limited transactions for each of the three years in the period ended December 31, 2020.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 17.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following amendment for the first time for the financial year beginning January 1, 2020:

- PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

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

  In particular, the amendments clarify:

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

  The amendment has no significant impact to the Group's financial statements.

(b) New standards, amendments and interpretations not yet adopted

- PAS 1: Classification of Liabilities as Current or Non-current

  Amendments to paragraphs 69 to 76 of PAS 1 were issued to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

  - the definition of right to defer settlement;
  - that a right to defer must exist at the end of the reporting period;
  - that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group does not expect the amendment to have a significant impact to the Group's financial statements.

- PFRS 9 Financial Instruments - Fees in 10% Test for Derecognition of Financial Liabilities

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group do not expect the amendment to have a significant impact to the Group's financial statements.

There are no other relevant standards, amendments or interpretations that are effective beginning on or after January 1, 2020 that are expected to have a material impact on the Group's financial statements.

19.2 Consolidation

Subsidiary

Subsidiary is an entity (including structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of a subsidiary by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized is recorded as goodwill.

Inter-company transactions, balances and unrealized gains on transactions between the Parent Company and its subsidiary are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

19.3 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and (b) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

The Group did not hold financial assets under category (a) during and as at December 31, 2020 and 2019.

The Group's financial assets are detailed in Note 18.1.

Recognition and subsequent measurement

The Group recognizes a financial asset in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented within operating expenses in the statement of total comprehensive income.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

General approach

The Group applies the general approach to provide for ECLs on due from related parties. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.
Measurement of ECLs

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented in other gains/(losses).

19.4 Financial liabilities

Classification

The Group classifies its financial liabilities as: (i) financial liabilities at fair value through profit or loss and (ii) other financial liabilities measured at amortized cost. The Group does not have any financial liabilities at fair value through profit or loss.

The Group's financial liabilities comprise of trade payables and other liabilities (Note 6), security deposits (Note 14) and advances from shareholders (Note 7) which are carried at amortized cost using the effective interest rate method. These are included in current liabilities, except for maturities greater than 12 months after the reporting date or when the Group has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

Recognition

Other financial liabilities at amortized cost are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Measurement

The Group's financial liabilities are initially measured at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate method.

Derecognition

Financial liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

19.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Group did not enter into any legally enforceable master netting agreements or other similar arrangements that would require offsetting of financial assets and liabilities as at December 31, 2020 and 2019.

19.6 Fair value measurement

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

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

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

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is

available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

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

As at December 31, 2020 and 2019, the Group has no assets and liabilities measured at fair value.

19.7 Cash and cash equivalent

Cash includes cash on hand and deposits held at call with banks. Cash equivalent is a short-term, highly liquid investment that is readily convertible to known amounts of cash with original maturity of three (3) months or less from the date of placement and is subject to an insignificant risk of changes in value.

See Note 19.3 for relevant accounting policies for classification, recognition, measurement and derecognition of cash and cash equivalent.

19.8 Short-term investment

Short-term investment is a short-term, liquid investment that is convertible to known amounts of cash with original maturity more than three (3) months to less than a year from the date of placement and is subject to minimal risk of changes in value.

See Note 19.3 for relevant accounting policies for classification, recognition, measurement and derecognition of short-term investment.

19.9 Real estate held for development and sale

Real estate held for development and sale is carried at the lower of cost or net realizable value. The cost of real estate under development is determined using the inputs method. Cost includes construction and development costs of the real estate property plus other costs and expenses incurred incidental to the development of the property. Cost is further reduced by any provision for write-down. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale.

The excess of cost of real estate under development and sale over the net realizable value is recognized as write-down in profit or loss. Reversals of previously recorded write-downs are credited to profit or loss based on the result of management's update assessment, considering the available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Real estate under development is derecognized when sold or written-off. When real estate under development is sold, the carrying amount of the asset is recognized as an expense in the period in which the related revenue is recognized.

19.10 Prepayments and other current assets

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Advances to a contractor represent advance payments to contractor which are settled through provision of construction services and delivery of materials. These are recognized at fair value, which approximate the contractor's invoice amounts, and subsequently capitalized as real estate inventories when the related services or materials are received.

Restricted cash are amounts paid by the Group in compliance with government requirements, which are refundable upon completion of the townhouse project. If part or all of a restricted cash becomes non-refundable, e.g. where no refund will be paid due to violations in the regulations, the right to receive the cash bond or part thereof is impaired, and the carrying amount is reduced and the corresponding loss is recognized in profit or loss. See Note 19.3 for relevant accounting policies for classification, recognition, measurement and derecognition of restricted cash.

Other currents assets in the form of advances to employees and advances to suppliers are recognized initially at fair value and subsequently measured at amortized cost, which normally equal its nominal amount, less provision for impairment, if any.

Prepayments and other current assets are included in current assets, except when the related goods or services are expected to be received and rendered more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position either with the passage of time through use or consumption.

19.11 Input VAT

Input VAT represent taxes imposed on the Group for the acquisition of goods and services. These are stated at face value less any provision for impairment and are utilized when there is a legally enforceable right to offset the recognized amounts against output VAT obligations and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Input VAT are included in current assets, except when utilization and claims against output VAT are expected to be more than twelve (12) months after the reporting date, in which these are classified as non-current assets.

19.12 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Capital expenditures related to a project which are partially received or incurred are classified as construction in-progress and are stated at historical cost. These are not reclassified to the other property, and equipment accounts and depreciated until such time that the relevant assets are substantially completed and ready for intended use.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives (in years), as follows:

	No. of years
Office equipment	5 years
Furniture and fixture	5 years
Leasehold improvements	5 years or term of lease, whichever is shorter

Leasehold improvements are amortized over the estimated useful lives of the improvements or the anticipated term of the lease, whichever is shorter. Management renews its lease when the term expires.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each 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 future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized under other operating income (expense) in the consolidated statement of total comprehensive income.

19.13 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risk specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately as other operating income in the statement of total comprehensive income.

19.14 Current and deferred income tax

The income tax expense for the period normally comprises current and deferred tax. Income tax expense is recognized in profit or loss within income tax (expense) credit, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Deferred income tax (DIT) is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting nor taxable profit or loss. DIT is determined using tax rates and laws enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill.

DIT expense or credit is recognized for the changes in DIT assets and liabilities during the period. Income tax expense includes income tax as currently payable and those deferred because of temporary differences in the financial and tax reporting bases of assets and liabilities.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when DIT assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

DIT assets are derecognized when it is utilized or when it is no longer probable that future taxable profit can be utilized from the temporary deductible differences. DIT liabilities are derecognized when the temporary taxable differences have been settled.

The Group reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

19.15 Trade payables and other liabilities

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets and expenses are recognized. Trade payables and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

19.16 Contract asset and contract liabilities

Costs incurred as a result of obtaining a contract which are payable upon signing of the contract to sell and deed of absolute sale are capitalized as contract assets considering that this would not have been incurred if the contract had not been obtained. The contract asset is amortized as the related revenue from the contract is recognized.

Contract liabilities presented represent the reservation fees and advance payments for customized improvements that have not yet qualified for revenue recognition. These are classified as current liabilities and will be released to revenue when all criteria for revenue recognition are met.

As a practical expedient, the Group did not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recognize a revenue from the performance obligation in accordance with paragraph 120 of PFRS 15 since the performance obligation is part of a contract that expected to be completed within 12 months from the reporting date.

19. 17 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Firm has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Borrowing costs, not directly attributed to a qualifying asset, are recognized and charged to profit or loss in the year in which they are incurred.

Borrowings are derecognized when the obligation is settled, paid or discharged.

19.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required upon settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statement of financial position.

19.19 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

19.20 Equity

Share capital

Ordinary shares are stated at par value and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Share premium

Any amount received by the Group in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Group and can be used only for purposes specified under corporate legislation.

Subscriptions receivable

Subscriptions receivable pertains to the unpaid subscription price by the shareholder.

Share issuance cost

Share issuance costs incurred for the listing and offering process of the Group are recognized as deduction to share premium in accordance with PIC - Question and Answer (PIC - Q&A) 2011-04.

Retained earnings (deficit)

Retained earnings (deficit) include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Appropriated retained earnings pertain to the portion of the accumulated profit from operations which are restricted or reserved for a specific purpose, such as capital expenditures for expansion projects, and approved by the Group's Board of Directors.

Unappropriated retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Group which are available for dividend declaration.

Treasury shares

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity.

Deposit for future stock subscription

Deposit for future stock subscriptions refers to the payment made by shareholders of the Group on subscription to the increase in the authorized capital which cannot be directly credited to capital stock issued pending registration with the SEC of the amendment to the Articles of Incorporation increasing capital stock.

Under the SEC Financial Reporting Bulletin No. 6 as revised in 2017, an entity should not consider a deposit for future subscription as an equity instrument unless all of the following elements are present:

a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
b) There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
c) There is stockholders' approval of said proposed increase; and
d) An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

After the registration and approval of the increase in capital stock by the SEC last February 7, 2018, the amount was reclassified under share capital account and share premium account.

19.21 Earnings per share

Basic earnings (loss) per share is computed by dividing profit (loss) for the year attributable to the shareholders by the weighted average number of shares outstanding during the year.

The diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares, if any. The Group has no dilutive potential ordinary shares during and at the end of each reporting period.

19.22 Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

19.23 Revenue recognition

a) Contract revenues from sale of real estate properties

The Group develops and sells residential units. Under a contract to sell a residential unit, the object is the property itself, which is the normal output of a real estate business. In addition, this contract contains information such as the contracting parties' rights and payment terms, which are essential elements for a valid revenue contract. The contract must be signed by the contracting parties to make it enforceable prior to revenue recognition. The Group assesses the commercial substance of the contract and the probability that it will collect the consideration.

When a contract with a customer does not meet the criteria for revenue recognition and the Group receives consideration from the customer, the Group shall recognize the consideration received as revenue only when either of the following events has occurred:

a) The entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable; or

b) The contract has been terminated and the consideration received from the customer is non-refundable.

The Group satisfies its performance obligation as it develops the property. Therefore, revenue is recognized over time, i.e. as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Land and materials delivered on site, which are yet to be installed/attached to the main structure, are excluded from the percentage-of-completion.

For income taxation purposes, income from sale of real estate properties are recognized in full in the year when substantial down payment from the buyer is received following the provisions of the Tax Code. Otherwise, taxable income is based on cash collections under installment method.

b) Rental income

Rental income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Rental income is shown net of value-added tax. Any difference between the rental income determined on a straight-line basis and the actual lease payment is recognized as a rent receivable or unearned rental income as the case may be. These are included in non-current assets or liabilities, except if the remaining lease period is within one year after the reporting period, which are then classified as current assets or liabilities.

c) Interest income

Interest income is recognized when it is determined that such income will accrue to the Group and is presented net of final tax withheld by the banks.

d) Other income

All other income is recognized as earned or when the right to receive payment is established.

19.24 Costs and expenses

Costs and expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized: (i) on the basis of a direct association between the costs incurred and the earning of specific items of income; (ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position. Costs and expenses are presented in the profit or loss according to their function.

19.25 Employee benefits

Short-term benefits

Provision is made for benefits accruing to employees in respect of wages and salaries when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within twelve (12) months are measured using their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve (12) months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Retirement benefit obligation

The Group has yet to adopt a formal retirement plan for the benefit of its qualified employees. Under Republic Act (RA) 7641, otherwise known as the Retirement Pay Law, in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a company, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service, a fraction of at least 6 months being considered as 1 whole year. The Group computed for the retirement benefit obligation amounting to P349,501 as at December 31, 2020 (2019 - P152,264) in accordance with the minimum requirements of RA 7641 but considered not material for recording and disclosure.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

19.26 Leases

Group as the lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(c) *Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(d) *Short-term leases and leases of low-value assets*

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of service tools and equipment.

Group as the lessor

Leases in which the Group does not transfer substantially all the risks and rights for the leased assets to the lessee are classified as operating lease. Assets leased out under operating leases are included in investment properties in the statement of financial position. Rental income is recognized on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as rental income. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The Company has no finance leases during and at the end of each reporting period.

19.27 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are prepared in Philippine Peso, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

19.27 Related party relationships and transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

19.28 Segment Reporting

For purposes of management reporting, the Group's operating businesses are organized and managed separately on a per company basis. The Group's reportable segments are consistent with how the management internally disaggregates financial information for the purpose of making internal operating decisions and evaluating performance.

Operating segments are components of the Group: (a) that engage in business activities from which these may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

19.29 Subsequent events

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law effective 15 days from its complete publication on March 27, 2021. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

1. Reduction in CIT rate effective July 1, 2020 as follows:
   a. Domestic Corporations will be subject to the following reduced CIT rates depending on their assets and taxable income:
      i. Those with assets amounting to P100,000,000 and below, and with taxable income equivalent to P5,000,000 and below will be subjected to a 20% tax rate;
      ii. Those with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate.

   b. Foreign Corporations (resident and nonresident foreign corporations) will have a fixed reduced tax rate of 25%.

2. Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent (1%).

Under CREATE, corporate taxpayers shall prepare their annual income tax return for the calendar year 2020 (CY2020) using the pro-rated CIT rate for CY2020 reckoned from July 1, 2020 (retrospective effect).

As at December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Group has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020.

For financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event. Had the new CIT rates been applied on the December 31, 2020 financial statements of the Group, the financial impacts would have been as follows:

Increase (decrease) in	Amount
Deferred tax assets, net	9,789
Total non-current assets	9,789
Total assets	9,789
Current income tax expense	-
Deferred income tax expense	(9,789)
Net income	9,789