Jackstones, Inc.

Separate Financial Statements
As at December 31, 2020 and 2019
and for each of the three years in the period ended
December 31, 2020

Jackstones, Inc.

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

	Notes	2020	2019
ASSETS			
Current assets			
Cash	2	521,182	2,730,973
Short-term investment	2	4,982,833	5,196,150
Due from related parties	7	113,235,732	77,735,732
Prepayments and other current assets	3	60,512	64,279
Total current assets		118,800,259	85,727,134
Non-current assets			
Input value-added tax (VAT)	3	1,442,724	1,339,199
Property and equipment, net	4	25,485	36,286
Investment in subsidiary	5	3,326,994	3,326,994
Total non-current assets		4,795,203	4,702,479
Total assets		123,595,462	90,429,613
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other liabilities	6	993,298	828,969
Advances from shareholders	7	102,977,769	66,277,769
Total liabilities		103,971,067	67,106,738
Equity			
Share capital, net of treasury shares	8	188,184,097	188,184,097
Share premium	8	143,334,770	143,334,770
Deficit		(311,894,472)	(308,195,992)
Total equity		19,624,395	23,322,875
Total liabilities and equity		123,595,462	90,429,613

The notes on pages 1 to 27 are integral part of these financial statements.

Jackstones, Inc.

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
Income				
Unrealized foreign exchange gain	12	-	-	158,353
Interest income	2	50,226	537,421	456,965
		50,226	537,421	615,318
Expenses				
Administrative expenses	9	(3,460,725)	(3,482,336)	(3,543,972)
Foreign exchange loss	12	(287,981)	(351,638)	-
		(3,748,706)	(3,833,974)	(3,543,972)
Loss before income tax		(3,698,480)	(3,296,553)	(2,928,654)
Income tax benefit (expense)	10	-	18,308	(18,308)
Loss for the period		(3,698,480)	(3,278,245)	(2,946,962)
Other comprehensive income		-	-	-
Total comprehensive loss for the period		(3,698,480)	(3,278,245)	(2,946,962)
Loss per share (basic and diluted)	11	(0.0148)	(0.0131)	(0.0121)

The notes on pages 1 to 27 are integral part of these financial statements.

Jackstones, Inc.

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 8)									
	Authorized		Subscribed and issued		Paid up	Share premium (Note 8)	Treasury shares (Note 8)	Deposit for future stock subscription (Note 8)	Deficit	Total equity
	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	(301,970,785)	29,548,082
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(2,946,962)	(2,946,962)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(2,946,962)	(2,946,962)
Transaction with owners										
Increase in authorized and subscribed shares	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)	-	(304,917,747)	26,601,120
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(3,278,245)	(3,278,245)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(3,278,245)	(3,278,245)
Balances at December 31, 2019	500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	-	(308,195,992)	23,322,875
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(3,698,480)	(3,698,480)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(3,698,480)	(3,698,480)
Balances at December 31, 2020	500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	144,334,770	(82)	-	(311,894,472)	19,624,395

The notes on pages 1 to 27 are integral part of these financial statements.

Jackstones, Inc.

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		(3,698,480)	(3,296,553)	(2,928,654)
Adjustments for:				
Depreciation expense	4, 9	10,801	9,767	8,019
Unrealized foreign exchange loss (gain)	12	107,862	81,120	(61,025)
Interest income	2	(50,226)	(537,421)	(456,965)
Operating loss before changes in assets and liabilities		(3,630,043)	(3,743,087)	(3,438,625)
Changes in assets and liabilities:				
Prepayments and other current assets	3	(6,600)	309,927	(348,927)
Input VAT	3	(103,525)	(129,902)	(163,661)
Due from related parties	7	(35,500,000)	(28,207,717)	(49,528,015)
Trade payables and other liabilities	6	164,329	9,285	(161,907)
Cash used in operations		(39,075,839)	(31,761,494)	(53,641,135)
Interest received	2	60,593	512,142	456,965
Net cash used in operating activities		(39,015,246)	(31,249,352)	(53,184,170)
Cash flows from investing activities				
Short-term investments	2	121,512	(5,265,994)	-
Acquisition of property and equipment	4	-	(6,875)	(9,370)
Net cash generated from (used in) investing activities		121,512	(5,272,869)	(9,370)
Cash flows from financing activities				
Advances from shareholders	7	36,700,000	20,000,000	20,500,000
Decrease in cash and cash equivalent		(2,193,734)	(16,522,221)	(32,693,540)
Cash and cash equivalent at January 1		2,730,973	19,264,470	51,896,985
Effect of foreign exchange changes on cash	12	(16,057)	(11,276)	61,025
Cash and cash equivalent at December 31	2	521,182	2,730,973	19,264,470

The notes on pages 1 to 27 are integral part of these financial statements.

Jackstones, Inc.

Notes to the 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 - General information

Jackstones, Inc. 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 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) of the Securities Regulation Code (SRC) Rule 68, as revised on August 19, 2019 and also covered by additional requirement under the Revised SRC Rule 68, Part II.

On April 16, 2014, the SEC approved the 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 Company to Ketton Holdings, Inc. and a group of individual investors. The sale effectively transferred control of the Company to Ketton Holdings, Inc., a domestic corporation registered in the Philippine SEC, who became the parent company and ultimate controlling party, owning 54% equity interest in Jackstones, Inc.

On March 10, 2017, the Company's BOD, through an amendment of the Company's Articles of Incorporation, approved the increase of the 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 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 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.

Status of operations

In 2017, the Company increased its authorized share capital to obtain additional stock subscription and address the negative equity of the Company. The Company also established a wholly-owned subsidiary, Jackstones Properties, Inc. (JPI), which is engaged in real estate business.

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 and will be accounted for in the Jackstones, Inc. 2020 consolidated financial statements.

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 properties 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 Company 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 Company continues to review projects, ventures, businesses and assets that can be included in the holdings of it of which the Company may issue shares in exchange of owning them.

Moreover, the shareholders continue to provide financial support to the Company 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.

Management has assessed that the pandemic has no significant impact to the Company's financial position and results of operations as at and for the year ended December 31, 2020. Management will continue to monitor the business developments amidst the pandemic and update the assessments made.

Approval of the financial statements

These separate financial statements have been approved and authorized for issuance by the Company's BOD on April 8, 2021.

<u>Note 2 - Cash; short-term investments</u>

Cash

Cash as at December 31 consist of:

	2020	2019
Cash on hand	2,000	2,000
Cash in banks	519,182	2,728,973
	521,182	2,730,973

Cash in banks earn interest at the respective bank deposit rates.

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 and short-term investment for the year ended December 31, 2020 amounted to P50,226 (2019-P537,421; 2018 - P456,965).
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 3) in the statements of financial position.

Note 3 - Prepayments and other current assets; Input VAT

Prepayments and other current assets

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

	Note	2020	2019
Advances to employees		39,000	39,000
Interest receivable	2	14,912	25,279
Prepayments		6,600	-
		60,512	64,279

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 Company presented the input VAT 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 Company 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 Company 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 Company has identified target projects and business ventures that will generate revenues subject to VAT; and

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

Note 4 - Property and equipment, net

Property and equipment as at December 31 consist of:

	Office furniture and fixtures	Office equipment	Total
At January 1, 2019			
Cost	9,370	41,173	50,543
Accumulated depreciation	(469)	(10,896)	(11,365)
Net carrying value	8,901	30,277	39,178
For the year ended December 31, 2019			
Opening net carrying value	8,901	30,277	39,178
Additions	6,875	-	6,875
Depreciation expense	(2,216)	(7,551)	(9,767)
Closing net carrying value	13,560	22,726	36,286
At December 31, 2019			
Cost	16,245	41,173	57,418
Accumulated depreciation	(2,685)	(18,447)	(21,132)
Net carrying value	13,560	22,726	36,286
For the year ended December 31, 2020			
Opening net carrying value	13,560	22,726	36,286
Depreciation expense	(3,250)	(7,551)	(10,801)
Closing net carrying value	10,310	15,175	25,485
At December 31, 2020			
Cost	16,245	41,173	57,418
Accumulated depreciation	(5,935)	(25,998)	(31,933)
Net carrying value	10,310	15,175	25,485

Note 5 - Investment in a subsidiary

Investment in a subsidiary represents 100% ownership in the shares of stock of Jackstones Properties, Inc. (JPI).

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.

The Company's investment in JPI amounting to P3,326,994 as at December 31, 2020 and 2019 is accounted for under the cost method (Note 15.11) in these separate financial statements.

On June 13, 2018, JPI purchased a land located at Barangay Marikina Heights, Marikina City with a total area of 2,651.30 square meters for a total consideration of P14,582,150 paid in full upon execution of the Deed of Absolute Sale. The title and ownership of the land was transferred to JPI in the same year.

In 2019, JPI started the construction of Michaela Residences, a townhouse project after the company has been granted license to sell by the Housing and Land Use Regulatory Board (HLURB) of the Philippines. JPI generated revenue from the sale of townhouse units during 2020.

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

Nature of the risks associated with the Company's interest in subsidiary

For the year ended December 31, 2020, the Company made advances to JPI amounting to P35,500,000 (2019 - P49,277,717) for working capital requirements of the subsidiary. There are no contractual arrangements that could require the Company to provide financial support to JPI.

Nature and extent of significant restrictions

There are no statutory, contractual or regulatory restrictions on the ability of the Company or its subsidiary to transfer cash and other assets to (or from) entities within the Group. There are no guaranties or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to (or from) entities within the Group.

Critical judgment - Recoverability of investment in a subsidiary

The Company's investment in a subsidiary is carried at cost. The carrying value is reviewed and assessed 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. The amount and timing of recorded expenses for any period would therefore differ based on the judgments made.

There are no provisions for impairment of investment in subsidiary as management believes that there are no events or changes in circumstances indicating that the carrying value of its investment in subsidiary at December 31, 2020 and 2019 may not be recoverable.

Note 6 - Trade payables and other liabilities

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

	2020	2019
Trade payables	434,085	411,731
Accrued expenses and other liabilities	528,180	416,638
Payable to regulatory agency	31,033	600
	993,298	828,969

Trade payables are non-interest bearing and are normally settled within 30 days. Accrued expenses and other liabilities mainly pertain to accrued payroll and other accrued expense of the Company.

There are neither guarantees nor assets pledged to secure the Company'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 Company's transactions and balances with its related parties.

	Transactions			Outstanding balance		Terms and conditions
	2020	2019	2018	2020	2019	
Due from *Subsidiary*	35,500,000	49,277,717	28,458,015	113,235,732	77,735,732	Due from subsidiary are non-interest bearing, unsecured, receivable in cash, with no fixed repayment terms.
Entity under common control	-	-	21,070,000	-	-	Due from an entity under common control are related to payments made on behalf of the related party and are non-interest bearing, unsecured, receivable in cash and are generally collectible within one (1) year.
				113,235,732	77,735,732	
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	2,415,492	1,720,821	1,025,685	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 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 Company 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 Company 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 - 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 Company.

The 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 Company has 307 shareholders owning at least 100 shares each of the 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 Company's equity restructuring and to improve and strengthen the financial condition of the Company without affecting the present ownership, the Board of Directors approved the conversion of the 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 Company's shareholders approved such conversion into equity (under share premium).

On February 7, 2018, the SEC approved the 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 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 9 - Administrative 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	2,415,492	1,720,821	1,025,685
Professional and consultancy fees		531,000	872,301	1,132,922
Taxes, licenses and regulatory fees		305,207	303,943	1,113,300
Meeting expenses		104,548	105,148	116,548
Depreciation expense	4	10,801	9,767	8,019
Office Supplies		9,786	77,230	46,225
Transportation		2,447	66,183	61,821
Miscellaneous		81,444	326,943	39,452
		3,460,725	3,482,336	3,543,972

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 10 - Income tax

Unrecognized deferred income tax asset

The Company's unrecognized deferred income tax (DIT) assets as at December 31 are as follow:

	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

The Tax Reform Act of 1997 (the "Act") introduced the NOLCO benefit which can be applied against the Company's taxable income for three succeeding taxable years from the year the loss was incurred.

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 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 Company's ability to generate taxable income. Management has considered these factors in reaching a conclusion not to recognize the Company's DIT assets in the statements of financial position.

The movements in the Company's DIT liabilities are as follows:

	2020	2019
Beginning of the year	-	18,308
DIT recognized in profit or loss	-	(18,308)
End of the year	-	-

The reconciliation between income tax expense at the statutory rate and the actual income tax expense presented in the statement of total comprehensive income for the years ended December 31 follows:

	2020	2019	2018
Loss before income tax at 30% rate	1,109,544	988,966	878,596
Adjustments for:			
Interest income subject to final tax	15,068	161,227	137,089
Unrecognized tax benefit on NOLCO	(1,092,253)	(1,156,221)	(1,033,993)
Unrecognized tax benefit from unrealized foreign exchange loss	(32,359)	24,336	-
	-	18,308	(18,308)

Critical judgment - Recoverability of deferred income tax assets

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 Company will not generate sufficient future taxable profits to realize the DIT assets.

Note 11 - Loss per share

Loss per share was computed as follows:

	2020	2019	2018
Loss for the period	(3,698,480)	(3,278,245)	(2,946,962)
Weighted average number of outstanding shares	250,059,097	250,059,097	243,184,097
Loss per share	(0.0148)	(0.0131)	(0.0121)

There were no potential dilutive shares in 2020, 2019 and 2018.

Note 12 - Foreign currency denominated monetary asset

The Company's foreign currency denominated asset as at December 31, 2020 and 2019 pertains to its cash in bank and short-term cash investment.

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	4,983,237
	109,955		5,282,238

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

- *Recoverability of input VAT (Note 3)*
- *Recoverability of investment in a subsidiary (Note 5)*
- *Provision for impairment on due from related parties (Note 7)*
- *Recoverability of deferred income tax assets (Note 10)*

Note 14 - Financial risk and capital management

14.1 Financial risk management

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

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily with respect to its cash and cash equivalents maintained in U.S. Dollar. The Company'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 Company's policies.

The Company's foreign denominated financial assets are presented in Note 12.

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 Company's pre-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 currencies 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 Company's financial assets.

Credit risk

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

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

The Company 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*	519,182	-	519,182	Performing	12-month ECL
Interest receivable	14,912	-	14,912	Performing	12-month ECL
Due from related parties	113,235,732	-	113,235,732	Performing	12-month ECL
Short-term investment	4,982,833	-	4,982,833	Performing	12-month ECL
Total	118,752,659	-	118,752,659		

**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*	2,728,973	-	2,728,973	Performing	12-month ECL
Interest receivable	25,279	-	25,279	Performing	12-month ECL
Due from related parties	77,735,732	-	77,735,732	Performing	12-month ECL
Short-term investment	5,196,150	-	5,196,150	Performing	12-month ECL
Total	85,686,134	-	85,686,134		

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

Cash; short-term investment

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

The Company maintains all of its cash deposits and short-term placements in thrift and commercial 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
Commercial banks	519,182	2,728,973
Thrift bank	4,982,833	5,196,150
	5,502,015	7,925,123

The remaining balance of cash 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, the 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 Company manages liquidity risk by monitoring expected cash flows and seeks funding from its shareholders to meet its operating commitments.

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

	Notes	2020	2019
Trade payables and other liabilities	6	962,265	828,369
Advances from shareholders	7	102,977,769	66,277,769
		103,940,034	67,106,138

As at December 31, 2020, trade payables and other liabilities presented above exclude amounts payable to BIR amounting to P31,033 (2019 – P600). Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

14.2 Capital management

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

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

	Notes	2020	2019
Share capital, net of treasury shares	8	188,184,097	188,184,097
Share premium	8	143,334,770	143,334,770
Deficit		(311,894,472)	(308,195,992)
		19,624,395	23,322,875

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

As discussed in Note 1, the Company obtained approval from the SEC on February 7, 2018 for the Company's increase in authorized capital stock amounting to P330,000,000. This enables the Company 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 Company has complied with the minimum public float as at December 31, 2020 and 2019.

Note 15 - Summary of significant accounting policies

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

15.1 Basis of preparation

The separate financial statements of the Company 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 separate financial statements have been prepared under the historical cost convention.

The Company 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 Company has also prepared consolidated financial statements in accordance with the PFRS for the Company and its subsidiary (collectively referred to hereinafter as the "Group"). In the consolidated financial statements, undertakings of the subsidiary have been fully consolidated.

Users of the separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended December 31, 2020 and 2019 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The preparation of separate 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 Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 13.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The Company 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 Company'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 Company do not expect the amendment to have a significant impact to the Company'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 Company do not expect the amendment to have a significant impact to the Company'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 Company's financial statements.

15.2 Financial assets

Classification

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

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

The Company's financial assets are detailed in Note 14.1.

Recognition and subsequent measurement

The Company recognizes a financial asset in the statement of financial position when the Company 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 Company commits to purchase or sell the asset.

At initial recognition, the Company 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 Company 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 Company 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 Company applies the general approach to provide for ECLs on due from a related party. 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 Company 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 Company's historical experience and informed credit assessment and includes forward-looking information.

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 Company 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 Company 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 Company 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 Company'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 Company 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).

15.3 Financial liabilities

Classification

The Company 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 Company does not have any financial liabilities at fair value through profit or loss.

The Company's financial liabilities comprise of trade payables and other liabilities (Note 6) 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 Company 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 statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Measurement

The Company'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.

15.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 Company or the counterparty.

The Company 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.

15.5 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 Company 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 Company 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 Company 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 Company will not fulfill an obligation.

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

15.6 Cash

Cash includes cash on hand and deposits held at call with banks. Cash in bank are carried in the statement of financial position at face or nominal amount and earn interest at the prevailing bank deposit rate.

See Note 15.2 for relevant accounting policies for classification, recognition, measurement and derecognition of cash and cash equivalent.

15.7 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 15.2 for relevant accounting policies for classification, recognition, measurement and derecognition of short-term investment.

15.8 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.

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 statement of financial position either with the passage of time through use or consumption.

15.9 Input VAT

Input VAT represent taxes imposed on the Company 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.

15.10 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 Company 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

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 (Note 15.12).

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 statement of total comprehensive income.

15.11 Investment in a subsidiary

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parents owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

Investment in a subsidiary is accounted for using the cost method in the separate financial statements. Under this method, investments are recognized at cost and income from the investment is recognized only to the extent that the Company receives distributions from accumulated profits of the investee. The Company recognizes dividend income from its investment in a subsidiary in the statement of total comprehensive income when the right to receive dividends has been established.

Investment in subsidiary is derecognized when the Company ceases to have control, or when the risk and rewards of ownership have been transferred or extinguished.

The 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.

15.12 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.

15.13 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 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 Company reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

15.14 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 Company 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.

15.15 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.

15.16 Provisions

Provisions are recognized when the Company 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.

15.17 Contingencies

Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefits is probable.

15.18 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 Company in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Company 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 Company 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 Company's Board of Directors.

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

Treasury shares

Where the Company 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 Company 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. The paid-up subscription can be classified under equity if the nature of the transaction gives rise to a contractual obligation of the Company to deliver its own shares to the subscriber in exchange of the subscription amount.

Under the SEC Financial Reporting Bulletin No. 6 as revised in 2017, an entity should not consider a deposit for future stock 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.

15.19 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 Company has no dilutive potential ordinary shares during and at the end of each reporting period.

15.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

15.21 Income recognition

The following are the specific income recognition policies of the Company:

a) Dividend income

Dividend income is recognized when the right to receive payment is established.

b) Interest income

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

c) Other income

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

15.22 Costs and expenses

Costs and expenses are recognized in profit or loss when a 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:

a) on the basis of a direct association between the costs incurred and the earning of specific items of income;
b) on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
c) immediately (i.e. 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 profit or loss according to their function.

15.23 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 Company in respect of services provided by employees up to reporting date.

Retirement benefit obligation

The Company 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 Company computed for the retirement benefit obligation amounting to P214,282 as at December 31, 2020 (2019 - P107,191) 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 Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company 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.

15.24 Foreign currency transactions and translation

(a) Functional and presentation currency

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

15.25 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.

15.26 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

Note 16 - Supplementary information required by the Bureau of Internal Revenue (BIR)

On December 28, 2010, Revenue Regulations No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

The following information is presented for purposes of filing with the BIR and is not required part of the basic financial statements.

i. Output VAT

The Company has no transactions that are subject to output VAT for the year ended December 31, 2020.

ii. Input VAT

Beginning balance	1,321,199
Add: Domestic purchases of goods other than capital goods	121,525
Domestic purchase of services	-
Ending balance	1,442,724

iii. All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2020 which pertains to local business permits and taxes amounted to P40,444 is presented within taxes, licenses and regulatory fees in administrative expenses. The remaining P264,763 pertains to taxes on business clearance, annual registration and taxes on the renewal of license and regulatory fees paid to PSE.

iv. Importations

The Company did not have any purchases of imported goods subject to custom duties and tariff fees for the year ended December 31, 2020.

v. Excise tax

The Company is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition.

vi. Documentary stamp tax

The Company did not pay documentary stamp tax for the year ended December 31, 2020.

vii. Withholding taxes

	Paid	Accrued	Total
Withholding taxes on compensation	277,830	27,289	305,119
Expanded withholding taxes	38,340	3,744	42,084

Accrued withholding taxes are presented as payable to regulatory agency within trade payables and other liabilities.

viii. Tax assessments

The Company did not receive any final notice of assessment from the BIR for the year ended December 31, 2020.

ix. Tax cases

The Company does not have any outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2020.

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