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Isla Lipana & Co.

Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Jackstones Properties, Inc. (the "Company") as at December 31, 2020 and 2019, and its financial performance and its cash flows years for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of total comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of changes in equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the 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 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 Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BIR Revenue Regulations Nos. 34-2020 and 15-2010 in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

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

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Isla Lipana & Co.

Statement Required by Section 8-A, Revenue Regulation No. V-1

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

None of the partners of the firm have any financial interest in Jackstones Properties, Inc. or any family relationships with its president, manager or principal shareholders.

The supplementary information on taxes and licenses for the year ended December 31, 2020 is presented in Note 19 to the financial statements.

Isla Lipana & Co.

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
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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 Properties, Inc.
(A wholly-owned subsidiary of Jackstones, Inc.)

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

	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	2	8,388,602	2,291,742
Real estate held for development and sale	3	76,520,316	44,517,085
Due from a related party	7	254,732	10,296,958
Contract assets	8	1,417,900	1,393,337
Prepayments and other current assets	4	32,813,597	30,420,752
Total current assets		119,395,147	88,919,874
Non-current assets			
Property and equipment, net	5	8,402,274	457,886
Right-of-use asset, net	14	1,060,890	-
Deferred income tax asset	13	1,545,973	1,663,447
Total non-current assets		11,009,137	2,121,333
Total assets		130,404,284	91,041,207
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses and other liabilities	6	230,028	3,249,890
Advances from parent company	7	113,235,732	77,735,732
Contract liabilities	8	7,587,810	10,616,280
Lease liabilities, current portion	7, 14	1,179,535	-
Total current liabilities		122,233,105	91,601,902
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		130,672,357	91,601,902
Equity			
Share capital	9	3,125,000	3,125,000
Deficit		(3,393,073)	(3,685,695)
Total capital deficiency		(268,073)	(560,695)
Total liabilities and equity		130,404,284	91,041,207

The notes on pages 1 to 28 are integral part of these financial statements.

Jackstones Properties, Inc.
(A wholly-owned subsidiary of Jackstones, Inc.)

Statements of Total Comprehensive Income
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
Revenue	10	14,104,689	-
Cost of sale and services	11	(8,002,388)	-
Gross Profit		6,102,301	-
Operating expenses	12	(5,687,201)	(4,367,026)
Interest income	2	18,515	168,474
Loss from operations		433,615	
Finance costs		(23,519)	-
Profit (loss) before income tax		410,096	(4,198,552)
Income tax (expense) benefit	13	(117,474)	1,310,108
Profit (loss) for the year		292,622	(2,888,444)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		292,622	(2,888,444)

The notes on pages 1 to 28 are integral part of these financial statements.

Jackstones Properties, Inc.
(A wholly-owned subsidiary of Jackstones, Inc.)

Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Share capital (Note 9)	Deficit	Total capital deficiency
Balances at January 1, 2019	3,125,000	(797,251)	2,327,749
Comprehensive loss			
Loss for the year	-	(2,888,444)	(2,888,444)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(2,888,444)	(2,888,444)
Balances at December 31, 2019	3,125,000	(3,685,695)	(560,695)
Comprehensive loss			
Profit for the year	-	292,622	292,622
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	292,622	292,622
Balances at December 31, 2020	3,125,000	(3,393,073)	(268,073)

The notes on pages 1 to 28 are integral part of these financial statements.

Jackstones Properties, Inc.
(A wholly-owned subsidiary of Jackstones, Inc.)

Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
Cash flows from operating activities			
Profit (loss) before income tax		410,096	(4,198,552)
Adjustments for:			
Depreciation expense	5	4,012,736	44,885
Amortization of right-of-use assets	14	530,445	-
Interest expense on lease liability	7, 14	23,519	-
Interest income	2	(18,515)	(168,474)
Operating income (loss) before changes in assets and liabilities		4,958,281	(4,322,141)
(Increase) decrease in:			
Real estate held for development and sale	3	(32,003,231)	(27,122,260)
Due from a related party	7	10,042,226	(7,034,758)
Contract asset	8	(24,563)	(1,393,337)
Prepayments and other current assets	4	(1,493,622)	(30,041,950)
(Decrease) increase in:			
Accrued expenses and other liabilities	6	(3,043,381)	3,012,189
Contract liabilities	8	(3,028,470)	10,616,280
Security deposit and advance rental	14	8,027,452	-
Cash used in operations		(16,565,308)	(56,285,977)
Interest received	2	18,515	168,474
Income taxes paid	13	(899,223)	-
Net cash used in operating activities		(17,446,016)	(56,117,503)
Cash flows from investing activities			
Acquisitions of property and equipment	5	(11,957,124)	(458,664)
Cash flow from financing activity			
Advances from parent company	7	35,500,000	49,277,717
Net increase (decrease) in cash and cash equivalents		6,096,860	(7,298,450)
Cash and cash equivalents at the beginning of the year		2,291,742	9,590,192
Cash and cash equivalents at the end of the year	2	8,388,602	2,291,742

The notes on pages 1 to 28 are integral part of these financial statements.

Jackstones Properties Inc.
(A wholly-owned subsidiary of Jackstones, Inc.)

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

Note 1 - General information

Jackstones Properties Inc. (the "Company") was organized under the law of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 2017 to engage, operate, hold, manage real estate business, to acquire by purchase, lease, donation or otherwise, use, improve, develop and hold for investment or otherwise, real estate of all kinds including but not limited to vacant lots, buildings, houses, apartments, townhouses, condominiums, warehouses, facilities, offices, apartments, units and other structures of whatever kind together with the appearances or improvements found thereon except real estate investment trust (REIT) nor engaging in financial leasing.

The company is a wholly-owned subsidiary of Jackstones, Inc. (Parent Company), a publicly listed corporation in the Philippines.

The Company's registered office address is located at 593 Antonio Drive, Bagumbayan, Taguig City.

As shown in the statements of financial position as at December 31, 2020, the Company had a capital deficiency of P268,073 (2019 - P560,695). Despite this, management does not foresee any existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. In 2020, the Company has generated profit amounting to P285,566. The Company's projected revenue for the next 12 months is sufficient to cover operating costs and management expects to generate positive results as it expects to complete the sale of its townhouse units in 2021. In addition, amounts owed to the Parent Company represent a substantial portion of the Company's total liabilities wherein settlement terms are managed based on the cash flow requirements within the group and availability of excess liquidity.

Moreover, the Parent Company continues 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.

As a result of the COVID-19 pandemic, the 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 financial statements were authorized and approved for issuance by the Company's Board of Directors (BOD) on April 8, 2021.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2020	2019
Cash in banks	7,388,602	2,291,742
Cash equivalents	1,000,000	-
	8,388,602	2,291,742

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%.

Interest income earned from bank deposits and cash equivalents for the year ended December 31, 2020 amounted to P18,515 (2019 - P168,474).

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 the Company 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 Company 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 Company 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

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

	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	-
Others	54,841	47,893
	32,813,597	30,420,752

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 Company received the Certificate of Full Compliance from HLURB on February 4, 2021.

Note 5 - Property and equipment, net

Property and equipment as at December 31 consist of:

	Office equipment	Furnitures and fixtures	Leasehold improvements	Total
At January 1, 2019				
Cost	50,893	-	-	50,893
Accumulated depreciation	(6,786)	-	-	(6,786)
Net carrying value	44,107	-	-	44,107
Year ended December 31, 2019				
Opening net carrying value	44,107	-	-	44,107
Additions	408,892	49,772	-	458,664
Depreciation expense (Note 12)	(42,920)	(1,965)	-	(44,885)
Closing net carrying value	410,079	47,807	-	457,886
At December 31, 2019				
Cost	459,785	49,772	-	509,557
Accumulated depreciation	(49,706)	(1,965)	-	(51,671)
Net carrying value	410,079	47,807	-	457,886
For the year ended December 31, 2020				
Opening carrying value	410,079	47,807	-	457,886
Additions	224,811	-	11,732,313	11,957,124
Depreciation expense (Note 12)	(106,072)	(9,955)	(3,896,709)	(4,012,736)
Closing net carrying value	528,818	37,852	7,835,604	8,402,274
At December 31, 2020				
Cost	684,596	49,772	11,732,313	12,466,681
Accumulated depreciation	(155,778)	(11,920)	(3,896,709)	(4,064,407)
Net carrying value	528,818	37,852	7,835,604	8,402,274

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	116,027	44,885
		4,012,736	44,885

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 - Accrued expenses and other liabilities

Accrued expenses and other liabilities at December 31 consist of:

	Note	2020	2019
Payable to government agencies		106,368	234,305
Accrued expenses		100,141	223,398
Interest payable to a related party	7	23,519	-
Customer refunds		-	2,163,500
Accrued commission		-	628,687
		230,028	3,249,890

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 the Company.

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 Company's liabilities at December 31, 2020 and 2019.

The carrying amounts of accrued expenses 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		
	2020	2019	2020	2019	Terms and conditions
Due from *Entity under common control*	(10,042,226)	7,034,758	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	-	Rates are based on the Land Management Agreement with Great Circle Holdings, Inc. (GCH) as discussed in Note 14.
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 *Parent Company*	35,500,000	49,277,717	113,235,732	77,735,732	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 12)*	852,296	917,494	-	-	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 year ended December 31, 2020 and 2019.

The carrying amounts of advances from shareholders approximates its fair value due to its short-term maturity.

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

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 - Contract assets; contract liabilities

Contract assets

The Company 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 Company 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 Company has recognized P4,620,780 (2019 - Nil) that was included in the balance of contract liabilities as at December 31, 2019 as revenue.

Critical accounting judgment: Revenue recognition

At contract inception, the Company 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 Company 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 Company receives consideration from the customer, the Company recognizes the consideration received as revenue only when either of the following events has occurred: a) The Company 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 Company 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 Company 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 - Share capital

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

	Shares	Amount
Common shares at P1 par value per share		
Authorized share capital	50,000,000	50,000,000
Subscribed share capital	12,500,000	12,500,000
Subscription receivable	(9,375,000)	(9,375,000)
Paid up capital	3,125,000	3,125,000

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 rights to distribution of income under such terms and conditions as the Board of Directors may approve.

Note 10 - Revenue

The Company'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

Operating expenses for the years ended December 31 consist of:

	Notes	2020	2019
Professional fees		2,542,633	1,495,166
Commission expense		1,524,031	320,796
Salaries and other employee benefits	7	852,296	1,518,583
Meeting expenses		254,870	272,731
Taxes, licenses and regulatory fees		126,473	52,629
Depreciation expense	5	116,027	44,885
Donation		34,819	-
Transportation expense		30,416	281,071
Office supplies		25,362	133,944
Miscellaneous		180,274	247,221
		5,687,201	4,367,026

Note 13 - Income tax

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

	2020	2019
Current tax expense	-	-
Deferred tax expense (benefit)	117,474	(1,310,108)
	117,474	(1,310,108)

Deferred income tax (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 the Company'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 Company'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.

Movements in the DIT assets for the years ended December 31 are as follows:

	2020	2019
At January 1	1,663,447	353,339
(Charged) credited to profit or loss	(117,474)	1,310,108
At December 31	1,545,973	1,663,447

The reconciliation between income tax expense (benefit) at the statutory rate and the actual income tax benefit presented in profit or loss for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
Income tax benefit at the statutory tax rate of 30%	123,029	(1,259,566)
Adjustments to income tax:		
Interest income subject to final tax	(5,555)	(50,542)
	117,474	(1,310,108)

Critical accounting judgment - Recoverability of DIT assets

The Company recognizes DIT assets to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized. Determining the recoverability of DIT assets requires the assessment of the availability of taxable profit expected to be generated from the operations against which the DIT assets can be applied. Based on management's assessment and judgment, DIT assets as at December 31, 2020 and 2019 are fully recoverable.

Note 14 - Lease agreement

Company as the lessee

Land Management Agreement

In 2020, the Company and Great Circle Holdings, Inc. (GCH) entered into a Land Management Agreement granting the Company 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. The Company 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 the Company 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, 2020, 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 and 2019.

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 Company 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 Company uses the government bond yield, adjusted for the (1) credit spread specific to the Company 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 Company considers the factors below as the most relevant in assessing the options:

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

Otherwise, the Company 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	-

Company as the lessor

Lease agreement with a third-party lessee

On May 4, 2020, the Company entered into a contract of lease with a third-party lessee for the property of GCH covered under the Land Management Agreement (Note 12). 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 total comprehensive income.

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 - 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 as summary of these significant estimates, assumptions and judgments and their related impact and associated risks in the financial statements:

15.1 Critical accounting estimates

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

15.2 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 16 - Financial risk and capital management

16.1 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. Financial risks are managed under policies approved and monitored by the BOD.

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 with banks and financial institutions, as well as credit exposure on amount due from a related party. 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 and cash equivalents	8,388,602	-	8,388,602	Performing	12-month ECL
Due from a related party	254,732	-	254,732	Performing	12-month ECL
Restricted cash	1,991,428	-	1,991,428	Performing	12-month ECL
Total	10,634,762	-	10,634,762		
December 31, 2019					
Cash and cash equivalents	2,291,742	-	2,291,742	Performing	12-month ECL
Due from a related party	10,296,958	-	10,296,958	Performing	12-month ECL
Restricted cash	1,991,428	-	1,991,428	Performing	12-month ECL
Total	14,580,128	-	14,580,128		

Cash and cash equivalents

To minimize credit risk exposure from cash and cash equivalents, the Company maintains cash deposits and short-term placements in reputable banks. The Company assesses that cash and cash equivalents have low credit risk considering the bank's external credit ratings as at December 31, 2020 and 2019.

The Company maintains all of its cash deposits in universal banks with strong credit ratings to minimize exposure to credit risk.

Due from a related party

Due from a related party is 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 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 Parent Company to meet its operating commitments.

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

	Notes	2020	2019
Advances from parent company	7	113,235,732	77,735,732
Accrued expenses and other liabilities	6	123,660	3,015,585
Security deposits	14	3,861,306	-
Lease liabilities including future interest	14	1,646,136	
		118,866,834	80,751,317

Accrued expenses and other liabilities as at December 31, 2020 presented above include amounts payable to government agencies amounting to P106,368 (2019 - P234,305). Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

Except for advances from parent company, the Company expects to settle the above financial liabilities in accordance with their contractual maturity dates. The carrying amounts above approximate the undiscounted cash flows as the impact of discounting is not significant considering their short-term maturity.

16.2 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:

	Note	2020	2019
Share capital	10	3,125,000	3,125,000
Deficit		(3,393,073)	(3,685,695)
		(268,073)	(560,695)

Note 17 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been consistently applied in these financial statements.

17.1 Basis of preparation

The 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.

The preparation of 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 15.

Exemption from PFRS for Small and Medium-sized Entities

The Company qualifies as a small and medium-sized entity based on the criteria set by SEC on total assets of P100 million to P350 million and on total liabilities of P3 million to P250 million. However, the Company availed of the exemption from the mandatory adoption of PFRS for Small and Medium-sized Entities (PFRS for SME) as allowed by the SEC as it is a subsidiary of a listed Company reporting under full PFRS.

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.

17.2 Financial assets

<u>Classification</u>

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 16.1.

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 loss 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).

17.3 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 of financial liabilities at fair value through profit or loss.

The Company's financial liabilities comprise of accrued expenses and other liabilities (Note 6), security deposits (Note 14) and advances from Parent Company (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.

17.4 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.

17.5 Determination of fair value

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 in Level 1 is the most representative price within the bid-ask spread.
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.

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

17.6 Cash and cash equivalents

Cash includes cash on hand and deposits held at call with banks. These are carried in the statement of financial position at face amount or nominal amount, which approximates its amortized cost using the effective interest rate method. Deposits held at call with banks earn interest at prevailing bank deposit rate.

Cash equivalent pertain to investment securities that have maturity of one to three months.

17.7 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.

17.8 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 are initially measured at nominal amounts, which are equal to the amount of cash paid. These are derecognized upon delivery of goods or when services have been rendered, through amortization over a certain period of time, and 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.

Input VAT is recognized as a current asset at face or nominal amounts and carried over to the extent that it is probable that the benefit will flow to the Company. These are derecognized when actually utilized, collected or disallowed by tax authority.

17.9 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.

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 statement of total comprehensive income.

17.10 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.

17.11 Accrued expenses and other liabilities

Accrued expenses 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.

Accrued expenses 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.

17.12 Contract assets 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 Company 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 Company 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.

17.13 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.

17.14 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 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.

17.15 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.

17.16 Equity

Share capital

Common 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.

Subscriptions receivable

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

Retained earnings (deficit)

Retained earnings (deficit) pertain to current results, net of transactions with shareholders and dividends declared, if any.

17.17 Revenue recognition

a) Contract revenues from sale of real estate properties

The Company 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 Company 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 Company receives consideration from the customer, the Company 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 Company 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 Company 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.

17.18 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.

17.19 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 P135,219 as at December 31, 2020
(2019 - P45,073) 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.

17.20 Leases

Company 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 Company'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 Company:

- 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 Company 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 Company 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.

Company as the lessor

Leases in which the Company 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 Company 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.

17.21 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.

17.22 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.

17.23 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 Company 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 Company, 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

Note 18 - 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

Output VAT declared for the year ended December 31, 2020 amounted to P1,621,477 based on the amount of cash receipts from the sale of real properties and income from rentals of P13,512,311.

ii. Input VAT

Beginning balance	6,511,290
Add: Current year's domestic purchases	440,193
Services lodged under cost and expenses	2,703,750
Less: Utilization	(1,621,477)
Input vat expense	(37,131)
Total input VAT included under other current assets	7,996,625

iii. All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2020 consist of:

Real property tax	32,672
Business permit and registration fees	15,196
Others	13,577
	61,445

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 paid for P65,028 documentary stamp tax for the year ended December 31, 2020 and is presented within taxes, licenses and regulatory fees in administrative expenses.

vii. Withholding taxes

	Paid	Accrued	Total
Withholding taxes on compensation	13,489	-	13,489
Expanded withholding taxes	1,074,286	95,430	1,169,716
	1,087,775	95,430	1,183,205

Accrued withholding taxes are presented within accrued expenses 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.