



SECURITIES AND EXCHANGE COMMISSION

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FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Ovialand Inc.

December 31, 2021 and 2020

(With Comparative Figures for the Year Ended December 31, 2019)



OVIALAND, INC.

801 Richville Corporate Center, 1314 Commerce Avenue Extension
 Madrigal Business Park, Ayala Alabang, Muntinlupa City
 Tel No: (02) 519 - 8714
 Fax No: (02) 808 - 7257

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
 FOR FINANCIAL STATEMENTS¹**

The management of *Ovialand Inc* is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan and Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

 Giovanni J Olivares
 Chairman of the Board

 Marie Leonore Fatime Olivares-Vital
 Chief Executive Officer

 John Bryan Vital
 Chief Financial Officer

Signed this 18 day of March 2022

¹ SMR of a public company is required to be notarized.

REPUBLIC OF THE PHILIPPINES
 CITY OF MUNTINLUPA

DOC. NO. 47
 PAGE NO. 11
 BOOK NO. 256
 SER. S. OF 2022

SUBSCRIBED AND SWORN TO BEFORE ME ON THIS 21 DAY OF MAR 2022
 AT CITY OF MUNTINLUPA
 WITH NO. _____ ISSUED BY _____
 ISSUED UNTIL _____ AS COMPETENT EVIDENCE OF IDENTITY

ELEONOR T. HERNANDEZ
 NOTARY PUBLIC

COMMISSION EXTENDED UNTIL JUNE 30, 2022
 APPT. NO. 20-014, ATTORNEY'S ROLL NO. 38749
 PTR NO. 4120672, JAN 03, 2022, MUNTINLUPA CITY
 IBP LIFETIME MEMBER NO. 05258, TIN: 135478879
 MCLE NO. VI-0008131, 04/23/2018, PHILIPPINES
 ENAC 27 L'PASEO, JOLLIBEE JUNCTION, ALABANG
 1770 MUNTINLUPA CITY PHILIPPINES

Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors
Ovialand Inc.
(A Subsidiary of 1802 SJ Holdings, Inc.)
Unit 801, Richville Corporate Center
Madrigal Business Park
Muntinlupa City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ovialand Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements are prepared, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the financial statements.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the financial statements are disclosed in Note 2 to the financial statements. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company as of and for the year ended December 31, 2019 were audited by other auditors whose report, dated September 30, 2020, expressed an unqualified opinion on those statements prior to restatement. As part of our audit of the 2021 financial statements, we also audited the relevant adjustments and reclassifications described in Note 2 that were applied to the 2019 financial statements. In our opinion, such adjustments and reclassifications are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the Company other than with respect to the aforementioned adjustments and reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements taken as a whole.

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 29 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 18, 2022

Supplemental Statement of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors
Ovialand Inc.
(A Subsidiary of 1802 SJ Holdings, Inc.)
Unit 801, Richville Corporate Center
Madrigal Business Park
Muntinlupa City

We have audited the financial statements of Ovialand Inc. (the Company) for the year ended December 31, 2021, on which we have rendered the attached report dated March 18, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 10 stockholders owning 100 or more shares each of the Company's capital stock as of December 31, 2021, as disclosed in Note 23 to the financial statements.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 18, 2022

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(With Corresponding Figures as of January 1, 2020)
(Amounts in Philippine Pesos)

	Notes	December 31, 2021	December 31, 2020 (As Restated – see Note 2)	January 1, 2020 (As Restated – see Note 2)
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash	4	P 35,867,647	P 35,631,691	P 17,935,943
Trade and other receivables	5	123,695,483	107,881,457	83,389,572
Real estate inventories	6	586,198,320	420,695,169	282,945,532
Deposit for future land acquisition	8	-	7,007,475	-
Due from related parties	22	124,916,260	8,988,168	-
Prepayments and other current assets	7	<u>143,158,014</u>	<u>87,863,356</u>	<u>31,456,019</u>
Total Current Assets		<u>1,013,835,724</u>	<u>668,067,316</u>	<u>415,727,066</u>
NON-CURRENT ASSETS				
Trade and other receivables	5	93,684,705	34,555,723	11,953,557
Property and equipment - net	9	22,651,448	12,341,788	9,640,855
Right-of-use assets - net	11	3,893,893	8,106,006	2,549,964
Investment property	10	1,885,860	1,885,860	-
Deferred tax assets - net	20	-	-	2,590,272
Other non-current assets	7	<u>2,479,242</u>	<u>13,479,544</u>	<u>14,996,371</u>
Total Non-current Assets		<u>124,595,148</u>	<u>70,368,921</u>	<u>41,731,019</u>
TOTAL ASSETS		P <u>1,138,430,872</u>	P <u>738,436,237</u>	P <u>457,458,085</u>
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans	13	P 157,053,322	P 72,227,232	P 42,262,382
Trade and other payables	12	314,495,542	261,150,841	103,243,234
Due to co-joint operator	22	6,660,379	-	-
Due to a related party	22	97,060,607	78,431,281	97,175,939
Lease liabilities	11	2,884,146	2,381,040	623,838
Income tax payable	20	-	8,994,874	-
Total Current Liabilities		<u>578,153,996</u>	<u>423,185,268</u>	<u>243,305,393</u>
NON-CURRENT LIABILITIES				
Interest-bearing loans	13	139,359,091	80,485,255	136,693,467
Lease liabilities	11	1,417,293	4,301,439	1,449,825
Retirement benefit obligation	17	137,704	1,119,554	231,657
Deposit for future stock subscription	18	134,736,179	78,621,000	-
Deferred tax liabilities - net	20	<u>2,972,615</u>	<u>116,170</u>	<u>-</u>
Total Non-current Liabilities		<u>278,622,882</u>	<u>164,643,418</u>	<u>138,374,949</u>
Total Liabilities		<u>856,776,878</u>	<u>587,828,686</u>	<u>381,680,342</u>
EQUITY				
Capital stock	23	82,500,000	82,500,000	82,500,000
Revaluation reserve	17	167,439	(756,932)	(49,657)
Retained earnings (Deficit)	23	<u>198,986,555</u>	<u>68,864,483</u>	<u>(6,672,600)</u>
Total Equity		<u>281,653,994</u>	<u>150,607,551</u>	<u>75,777,743</u>
TOTAL LIABILITIES AND EQUITY		P <u>1,138,430,872</u>	P <u>738,436,237</u>	P <u>457,458,085</u>

See Notes to Financial Statements.

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(With Comparative Figures for the Year Ended December 31, 2019)
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated – see Note 2)	2019 (As Restated – see Note 2)
REAL ESTATE SALES	14	P 833,104,272	P 435,101,313	P 359,877,919
COST OF REAL ESTATE SALES	15	<u>452,826,329</u>	<u>248,363,919</u>	<u>307,131,198</u>
GROSS PROFIT		<u>380,277,943</u>	<u>186,737,394</u>	<u>52,746,721</u>
OTHER OPERATING EXPENSES	16			
Administrative expenses		115,733,551	50,921,437	25,191,721
Selling and marketing expenses		<u>78,305,700</u>	<u>39,406,220</u>	<u>31,128,737</u>
		<u>194,039,251</u>	<u>90,327,657</u>	<u>56,320,458</u>
OPERATING PROFIT (LOSS)		186,238,692	96,409,737	(3,573,737)
OTHER INCOME – Net	19	22,358,254	4,274,227	5,008,820
FINANCE COSTS – Net	21	(<u>27,110,991</u>)	(<u>2,642,709</u>)	(<u>759,616</u>)
PROFIT BEFORE TAX		181,485,955	98,041,255	675,467
TAX EXPENSE	20	<u>16,025,739</u>	<u>22,504,172</u>	<u>390,164</u>
NET PROFIT		<u>165,460,216</u>	<u>75,537,083</u>	<u>285,303</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently through profit or loss				
Remeasurements of post-employment defined benefit obligation	17	1,145,357	(836,824)	(70,938)
Tax income (expense) on remeasurement of:	20			
Post-employment defined benefit obligation		(195,848)	129,549	21,281
Effect of change in income tax rate		(<u>25,138</u>)	<u>-</u>	<u>-</u>
		<u>924,371</u>	(<u>707,275</u>)	(<u>49,657</u>)
TOTAL COMPREHENSIVE INCOME		<u>P 166,384,587</u>	<u>P 74,829,808</u>	<u>P 235,646</u>

See Notes to Financial Statements.

OVIALLAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(With Comparative Figures for the Year Ended December 31, 2019)
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Revaluation Reserve	Retained Earnings (Deficit)	Total
Balance at January 1, 2021		P 82,500,000	(P 756,932)	P 73,404,930	P 155,147,998
As previously reported					
Effect of prior period adjustments	2	-	-	(4,540,447)	(4,540,447)
As restated		82,500,000	(756,932)	68,864,483	150,607,551
Cash dividends declared	23	-	-	(35,338,144)	(35,338,144)
Total comprehensive income for the year		-	924,371	165,460,216	166,384,587
Balance at December 31, 2021	23	<u>P 82,500,000</u>	<u>P 167,439</u>	<u>P 198,986,555</u>	<u>P 281,653,994</u>
Balance at January 1, 2020		P 82,500,000	(P 49,657)	P 2,727,395	P 85,177,738
As previously reported					
Effect of prior period adjustments	2	-	-	(9,399,995)	(9,399,995)
As restated		82,500,000	(49,657)	(6,672,600)	75,777,743
Total comprehensive income (loss) for the year		-	(707,275)	75,537,083	74,829,808
Balance at December 31, 2020	23	<u>P 82,500,000</u>	<u>(P 756,932)</u>	<u>P 68,864,483</u>	<u>P 150,607,551</u>
Balance at January 1, 2019		P 12,500,000	P -	(P 6,957,903)	P 5,542,097
Issuance during the year	23	70,000,000	-	-	70,000,000
Total comprehensive income (loss) for the year		-	(49,657)	285,303	235,646
Balance at December 31, 2019	23	<u>P 82,500,000</u>	<u>(P 49,657)</u>	<u>(P 6,672,600)</u>	<u>P 75,777,743</u>

See Notes to Financial Statements.

OVIALLAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(With Comparative Figures for the Year Ended December 31, 2019)
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated – see Note 2)	2019 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 181,485,955	P 98,041,255	P 675,467
Adjustments for:				
Interest expense	21	27,135,590	2,653,732	773,033
Depreciation and amortization	9, 11	11,277,711	6,453,382	3,168,654
Gain on derecognition of liabilities	19	(5,880,504)	-	-
Interest income	4, 21	(24,599)	(11,023)	(13,417)
Operating income before working capital changes		213,994,153	107,137,346	4,603,737
Increase in trade and other receivables		(74,943,008)	(47,094,051)	(78,590,604)
Increase in real estate inventories		(126,921,559)	(93,203,797)	(149,252,708)
Increase in due from related parties		(115,928,092)	(8,988,168)	-
Increase in other assets		(56,751,382)	(54,890,510)	(28,583,699)
Decrease (increase) in deposit for future land acquisition		7,007,475	(7,007,475)	-
Increase in trade and other payables		64,669,801	127,465,890	42,907,929
Increase in due to co-joint operator		6,660,379	-	-
Increase in retirement benefit obligation		119,285	38,982	24,036
Cash from (used in) operations		(82,092,948)	23,458,217	(208,891,309)
Interest received	4, 21	24,599	11,023	13,417
Income taxes paid		(4,047,624)	(10,673,308)	(1,239,015)
Net Cash From (Used in) Operating Activities		(86,115,973)	12,795,932	(210,116,907)
CASH FLOWS FROM AN INVESTING ACTIVITY				
Acquisitions of property and equipment	9	(17,375,258)	(7,571,110)	(12,315,843)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans	13	309,522,800	9,506,926	154,578,650
Repayments of interest-bearing loans	13	(165,822,874)	(35,750,288)	(46,443,398)
Interest paid	13	(76,621,941)	(18,076,911)	(4,233,929)
Deposits for future stock subscription received	18	56,115,179	78,621,000	-
Dividends paid	23	(34,830,412)	-	-
Proceeds from advances obtained from related parties	22	20,551,687	215,441,658	255,409,799
Repayments of lease liabilities	11	(3,264,891)	(3,085,143)	(685,868)
Repayments of advances from related parties	22	(1,922,361)	(234,186,316)	(191,404,968)
Proceeds from issuance of stock		-	-	70,000,000
Net Cash From Financing Activities		103,727,187	12,470,926	237,220,286
NET INCREASE IN CASH		235,956	17,695,748	14,787,536
CASH AT BEGINNING OF YEAR		35,631,691	17,935,943	3,148,407
CASH AT END OF YEAR		P 35,867,647	P 35,631,691	P 17,935,943

Supplementary Information on Non-cash Investing and Financing Activities:

- 1) The Company recognized right-of-use assets and lease liabilities amounting to P7.3 million and P2.7 million in 2020 and 2019 in compliance with PFRS 16, *Leases* (see Note 11). There was no new recognition made in 2021.
- 2) The Company has capitalized its borrowing costs incurred from specific borrowings made for various project developments, amounting to P38.6 million, P46.4 million and P18.2 million in 2021, 2020 and 2019, respectively (see Note 6).
- 3) The remaining unpaid balance of cash dividends in 2021 amounting to P0.2 million is netted against Advances to officers and employees under Trade and Other Receivables account in the 2021 statement of financial position (see Notes 5 and 23).

See Notes to Financial Statements.

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(With Comparative Figures for the Year Ended December 31, 2019)
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Ovialand Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 21, 2014. The Company is presently engaged in developing, selling, and exchanging of real estate properties.

The Company is a subsidiary of 1802 SJ Holdings Inc. (the parent company), a company incorporated and domiciled in the Philippines. The parent company is presently engaged as a holding company.

The Company's and the parent company's registered offices, which is also their principal place of business, are both located at Unit 801, Richville Corporate Center, Madrigal Business Park, Muntinlupa City.

1.2 Continuing Impact of COVID-19 Pandemic on Company's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Company's business operations.

In 2021 and 2020, the Company has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Company's business:

- implemented measures to mitigate the transmission of COVID-19, such as restricting and limiting international and domestic business travels, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees;
- implemented cost-reduction and cash preservation strategies, including flexible working arrangement, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focusing in to collect outstanding receivables by constantly communicating with Home Development Mutual Fund (HDMF);
- comprehensive and regular monitoring of the Company's liquidity position and cash flow; and,
- review of insurance coverage to protect against potential risk.

As a result of the actions taken by management, the Company's operations improved in 2021 as discussed below.

- total revenues, costs and inventories increased compared to that of 2020, as a result of continuation of business operations despite the different quarantine classifications imposed by the government in 2021, as compared to when the Company had temporary closure of operations from March to June 2020; and,
- increase in operating expenses due to assistance provided for vaccination of its personnel in 2021, which eventually increased the manpower able to work on-site resulting in boost in marketing and operations.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2021 (including the comparative financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's Board of Directors (BOD) on March 18, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Company are disclosed in detail in the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *SEC Financial Reporting Reliefs Availed by the Company*

The Company has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

In 2021, MC No. 2021-08, *Amendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding pages are the financial reporting reliefs availed of by the Company, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Company opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

Relief	Description and Implication	Deferral period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	<p>The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.</p> <p>Had the Company elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements:</p> <ul style="list-style-type: none"> • finance costs would have been higher; • cost of real estate inventories would have been lower; • total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower. 	Until December 31, 2023

Relief	Description and Implication	Deferral period
<p>PIC Q&A No. 2018-12-D, <i>Concept of the significant financing component in the contract to sell</i> and PIC Q&A No. 2020-04, <i>Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments</i></p>	<p>PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p> <p>There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Company does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.</p> <p>Had the Company elected not to defer this provision of the standard, it would not have a significant impact in the financial statements as there would not be any significant financing component since there would be no significant difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract, since the units sold are either complete or substantially complete prior to sale recognition. As such, this will not significantly impact the retained earnings, real estate sales, and profit or loss in 2021 and prior years.</p>	<p>Until December 31, 2023</p>

Relief	Description and Implication	Deferral period
PIC Q&A No. 2018-12-E, <i>Treatment of land in the determination of POC</i>	Land on which the real estate development will be constructed shall also be excluded in the assessment of POC. Had the Company elected not to defer this provision of the standard, it would not significantly impact the retained earnings, real estate sales, and profit or loss in 2021 and prior years since the Company uses the input method of quantifying its percentage of completion for which is usually at a 100% due to the short period it take to complete a unit, hence, removing the land cost in determining the percentage of completion under input method would not significantly change the resulting percentage.	Exclusion of land in the assessment of progress is deferred until December 31, 2023

(c) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expenses and other comprehensive income in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2021, the Company restated certain accounts to effect certain prior period adjustments and reclassifications [see Note 2.1(e)]. Accordingly, the Company presented a third statement of financial position as of January 1, 2020 without the related notes, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(d) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency, the currency of the primary economic environment in which the Company operates.

(e) *Prior Period Adjustments and Reclassifications*

The balance of Retained Earnings has been restated from the amount previously reported to reflect certain prior period adjustments.

In 2021, the Company reassessed its arrangement with a certain third party and determined that such arrangement does not qualify as a jointly controlled operations in accordance with PFRS 11, *Joint Arrangements*. Instead, the arrangement was assessed to be a financing transaction covered by PFRS 9, *Financial Instruments*.

Moreover, the Company also made reclassification of certain accounts to conform with the current year presentation and classification.

The effects of prior period adjustments and reclassifications on Retained Earnings as of January 1, 2021 and 2020 amounted to P4.5 million and P9.4 million, respectively.

The effects of the prior period adjustments and reclassifications on the items in the December 31, 2020 and January 1, 2020 statement of financial position is shown below.

	<u>As Previously Reported</u>	Effects of Prior Period Adjustments and <u>Reclassifications</u>	<u>As Restated</u>
<u>December 31, 2020</u>			
<i>Changes in assets:</i>			
Real estate inventories	P 365,852,201	P 54,842,968	P 420,695,169
Other non-current assets	23,038,513	(<u>9,558,969</u>)	13,479,544
Impact on total assets		<u>45,283,999</u>	
<i>Changes in liabilities:</i>			
Interest-bearing loans	57,519,020	95,193,467	152,712,487
Trade and other payables	216,037,756	45,113,085	261,150,841
Due to co-joint operator	90,533,380	(90,533,380)	-
Income tax payable	8,943,600	<u>51,274</u>	8,994,874
Impact on total liabilities		<u>49,824,446</u>	
<i>Change in equity –</i>			
Retained earnings	P 73,404,930	(<u>P 4,540,447</u>)	P 68,864,483
<u>January 1, 2020</u>			
<i>Changes in assets –</i>			
Real estate inventories	P 268,274,164	<u>P 14,671,368</u>	P 282,945,532
<i>Changes in liabilities:</i>			
Interest-bearing loans	P 71,863,199	P 107,092,650	P 178,955,849
Trade and other payables	8,8571,866	14,671,368	103,243,234
Due to co-joint operator	97,692,655	(<u>97,692,655</u>)	-
Impact on total liabilities		<u>24,071,363</u>	
<i>Changes in equity –</i>			
Retained earnings (Deficit)	P 2,727,395	(<u>P 9,399,995</u>)	(P 6,672,600)

The effects of prior period adjustments and reclassifications in the December 31, 2020 and 2019 statements of comprehensive income are summarized below

	As Previously Reported	Effects of Prior Period Adjustments and Reclassifications	As Restated
December 31, 2020			
<i>Changes in profit or loss:</i>			
Real estate sales	P 461,616,055	(P 26,514,742)	P 435,101,313
Cost of real estate sales	269,551,696	(21,187,777)	248,363,919
Administrative expenses	56,419,316	(5,497,879)	50,921,437
Finance costs – net	(7,382,617)	4,739,908	(2,642,709)
Tax expense	22,452,898	<u>51,274</u>	22,504,172
Impact on net profit		<u>P 4,859,548</u>	

December 31, 2019			
<i>Changes in profit or loss:</i>			
Cost of real estate sales	P 304,151,502	P 2,979,696	P 307,131,198
Administrative expenses	28,171,417	(2,979,696)	25,191,721
Finance income (cost) – net	8,640,379	<u>(9,399,995)</u>	(759,616)
Impact on net profit	P 9,685,298	<u>(P 9,399,995)</u>	P 285,303

The effects of the prior period adjustments and reclassifications in the statement of cash flows for the years ended December 31, 2020 and 2019 are summarized below in the succeeding page.

	As Previously Reported	Effects of Prior Period Adjustments and Reclassifications	As Restated
December 31, 2020			
<i>Cash flow from operating activities:</i>			
Profit before tax	P 93,130,433	P 4,910,822	P 98,041,255
Interest expense	10,445,259	<u>(7,791,527)</u>	2,653,732
Operating income before working capital changes	110,018,051	(2,880,705)	107,137,346
Increase in real estate inventories	(99,463,897)	6,260,100	(93,203,797)
Increase in other assets	(83,781,436)	<u>28,890,926</u>	(54,890,510)
Cash from (used in) operations	(8,812,104)	32,270,321	23,458,217
Income taxes paid	(2,834,425)	<u>(7,838,883)</u>	(10,673,308)
Impact on net cash from (used in) operating activities	(11,635,506)	<u>24,431,438</u>	12,795,932
<i>Cash flows from financing activities:</i>			
Proceeds from interest-bearing loans	21,000,000	(11,493,074)	9,506,926
Repayments from interest-bearing loans	(23,851,105)	(11,899,183)	(35,750,288)
Interests paid	(9,878,455)	(8,198,456)	(18,076,911)
Repayments of advances from related parties	(241,345,591)	<u>7,159,275</u>	(234,186,316)
Impact on net cash from financing activities	36,902,364	<u>(24,431,438)</u>	12,470,926
<i>Net impact on cash</i>		<u>P -</u>	

	As Previously Reported	Effects of Prior Period Adjustments and Reclassifications	As Restated
December 31, 2019			
Cash flow from operating activities:			
Profit before tax	P 10,075,462	(P 9,399,995)	P 675,467
Interest expense	6,475,494	(5,702,461)	773,033
Day one gain	(11,356,843)	<u>11,356,843</u>	-
Operating income before working capital changes	8,349,350	(3,745,613)	4,603,737
Increase in real estate inventories	(152,782,721)	3,530,013	(149,252,708)
Increase in other assets	(23,894,406)	(4,689,293)	(28,583,699)
Increase in trade and other payables	48,145,207	<u>(5,237,278)</u>	42,907,929
Cash used in operations	(198,749,138)	(10,142,171)	(208,891,309)
Income taxes paid	(327,986)	<u>(911,029)</u>	(1,239,015)
Impact on net cash used in operating activities	(199,063,707)	<u>(11,053,200)</u>	(210,116,907)
Cash flows from financing activities:			
Proceeds from interest-bearing loans	47,486,000	107,092,650	154,578,650
Interests paid	(5,887,134)	1,653,205	(4,233,929)
Proceeds from advances obtained from related parties	353,102,454	<u>(97,692,655)</u>	255,409,799
Impact on net cash from financing activities	226,167,086	<u>11,053,200</u>	237,220,286
<i>Net impact on cash</i>		<u>P -</u>	

2.2 Adoption of New and Amended PFRS

(a) Effective in 2021 that is Relevant to the Company

- (i) The Company adopted for the first time the application of the amendments to PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no impact on the Company's financial statements as the Company do not have any financial instruments subject to LIBOR.
- (ii) The Company also opted to adopt early the application of the amendments to *PFRS 16, Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022, occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no impact to the Company's financial statements as the Company did not receive any rent concession from its lessors in 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities*
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (iv) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (vi) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (vii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(c) *PIC Q&As Relevant to the Real Estate Industry*

Discussed below and in the succeeding page are the PIC Q&As effective January 1, 2021 that are applicable to the Company, including the descriptions of their impact to the Company's financial statements.

- PIC Q&A No. 2018-12-E, *Treatment of uninstalled materials in the determination of POC* and PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

PIC Q&A No. 2018-12-E specifies, in recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Company in completing its performance obligation. In the case of uninstalled materials delivered on-site that are not customized, such as steels and rebars, elevators and escalators, which are yet to be installed or attached to the main structure are excluded in the assessment of progress. Control over the uninstalled materials is not transferred to the customer upon delivery to the site but only when these are installed or when they are used in the construction. The application of the PIC Q&A had no significant financial impact to Company's financial statements since the Company does not include uninstalled materials that are not customized in determining measure of progress for revenue recognition.

- PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

PIC Q&A No. 2020-03 concludes that the difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Company assessed to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as part of the Trade Receivables account, hence, the adoption did not have a significant impact on the 2021 financial statements.

- PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

There are three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

- reposessed property is recognized at fair value less cost to repossess;
- reposessed property is recognized at fair value plus repossession cost; or,
- cancellation is accounted for as a modification of the contract.

The Company accounts for cancellation of sales contract as modification of contract; hence, the adoption of this PIC Q&A does not have significant impact on the financial statements of the Company, as the Company continues to measure its reposessed properties at cost.

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) *Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are categorized into the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income.

The financial asset category currently relevant to the Company is financial assets at amortized cost. Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash, Trade and Other Receivables (except Advances to officers and employees which are subject to liquidation), Due from Related Parties, Rental deposits (part of Prepayments and Other Current Assets account) and Refundable deposits (part of Other Non-current Assets account).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash include cash on hand, demand deposits which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Finance Costs – net.

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses and recognizes an allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company recognizes lifetime ECL for trade and other receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

For deposits in banks, the Company applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

On the other hand, the Company applies a general approach in relation to due from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Company's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – it is an estimate of likelihood of a counterparty defaulting of its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.

- *Loss given default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Company expects to receive. For trade receivables, this includes cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, *Realty Installment Buyer Protection Act* or Maceda law.
- *Exposure at default* – it represents the gross carrying amount of the financial assets in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) *Financial Liabilities*

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument.

Financial liabilities, which include interest-bearing loans, trade and other payables [except output value-added tax (VAT) and other taxes payable], due to related parties, lease liabilities (see Note 2.11) and due to co-joint operator are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Interest-bearing loans are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Retention payable, presented as part of Trade and Other Payables account, pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are remitted back to the contractors.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

All interest-related charges are recognized as expense in profit or loss, except capitalized borrowing costs (see Note 2.14), under the caption Finance Costs - net account in the statement of comprehensive income.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation, or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Real Estate Inventories

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Company; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties (see Note 2.14). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Cost of real estate inventories are assigned using specific identification of their individual costs. These properties and project are values at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete the estimated costs necessary to make the sale.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable to be derecognized plus any amount to be refunded to customers and the cost of the repossessed property is recognized in the statement of comprehensive income.

2.5 Interest in Jointly Controlled Operations

Transactions in co-development projects are accounted for using joint operations accounting. For interests in jointly controlled operations, the Company recognizes in its financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint operations. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Company.

No adjustment and consolidation procedures are required for the assets, liabilities, income and expenses of the joint operations that are recognized in the separate financial statements of the operators.

2.6 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Advances to contractors pertain to advance payments made by the Company for the construction of real estate properties intended for sale (i.e. held as inventory). This is classified as current asset if it will be applied as payments for construction of assets to be classified as inventories. Otherwise, this will be classified as non-current asset.

Advances to suppliers that will be applied as payment for construction of housing units accounted for as real estate inventories are classified and presented under the Prepayments and Other Current Asset account. On the other hand, advances to suppliers that will be applied as payment for construction of property and equipment, and investment properties are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.7 Property and Equipment

Property and equipment are carried at acquisition cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Construction tools and equipment	2-5 years
Office equipment	2-3 years
Furniture and fixtures	2-3 years
Service vehicles	2-5 years

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

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 (see Note 2.12).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment Property

Investment property includes parcels of land held either to earn rental income or for capital appreciation or for both and land held for undetermined use, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose and is carried at cost less any impairment in value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.12).

An item of investment property, including the related accumulated impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized. Transfers from other accounts (such as property and equipment or real estate inventory) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party, while transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

As the Company uses the cost model for investment property, transfers between categories do not change the carrying amount of the property transferred, and they do not change the cost of the property for measurement or disclosure purposes.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use.

If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under Real Estate Inventories account or Property and Equipment account up to the date of change in use (see Notes 2.4 and 2.7).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of comprehensive income in the year of retirement or disposal.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments 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.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Revenue and Expenses Recognition

Revenue comprises revenue from sale of real properties.

To determine whether to recognize revenue from sale of real properties, the Company follows a five-step process:

- (a) identifying the contract with a customer;
- (b) identifying the performance obligation;
- (c) determining the transaction price;
- (d) allocating the transaction price to the performance obligations; and,
- (e) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Company uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

(i) Revenue from sale of pre-completed real estate properties

The Company often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of performance obligation with respect to such contracts is disclosed in Note 3.1(c). Sales cancellations are accounted for in the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Company measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as Real Estate Sales account in the statement of comprehensive income.

Contract assets pertain to rights to consideration in exchange for goods or services that the Company has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Company will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Rights to consideration recognized by the Company as it develops the property will be presented as Trade Receivables. Contract assets, if any, are subsequently tested for impairment in the same manner as the Company assesses impairment of its financial assets [see Note 2.3(a)].

Any consideration received by the Company in excess of the amount for which the Company is entitled is presented as Contract Liabilities in the statement of financial position. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Incremental costs of obtaining a contract to sell real property to customers are recognized as an asset (i.e. deferred commission) and are subsequently amortized over the duration of the contract in the same basis as revenue from such contract is recognized. Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.14).

(ii) Revenue from sale of completed real estate properties

Revenue from completed real estate sales are recognized as the control transfer to the customer at the point in time and upon reaching the collection threshold set by management, i.e., income from sale is considered fully earned at the time the collection from customer has reached the desired percentage requirement of the total contract price.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending recognition of revenue on real estate sale, consideration received from buyer are presented as Customers' deposits under Trade and Other Payables in the statement of financial position (see Note 12).

2.11 Leases – Company as Lessee

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes right-of-use asset and lease liability in the statement of financial position. The right-of-use asset is measured equal to the initial measurement of the lease liability adjusted for any prepaid lease payments. Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

2.12 Impairment of Non-financial Assets

The Company's property and equipment, investment property, right-of-use assets and other non-financial assets are subject to impairment testing. All assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.13 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) *Short-term Employee Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables account in the statement of financial position.

(b) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. The Company's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero-coupon government bonds as published by Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Income (Costs) – net account in the statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(c) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution (e.g., Social Security System, Philippine Health Insurance Corporation, etc.). The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it 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 reporting period are discounted to their present value.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.14 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.15 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, 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.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.16 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.17 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency 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.

2.18 Equity

Capital stock represents the nominal value of shares that have been issued.

Revaluation reserves comprise of accumulated actuarial gains and losses due to the remeasurements of post-employment defined benefit plan.

Retained earnings(deficit) represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividends declared.

2.19 Deposit for Future Stock Subscription

Deposit for future stock subscription represents the amount received by the Company that has yet to determine and issue the equivalent number of shares to the investor. Based on the requirements of the SEC, the Company recognizes a deposit on future stock subscription as part of equity if all of the following criteria are met as at the end of the reporting period:

- (a) Lack or insufficiency of authorized unissued shares of stock to cover for the deposit;
- (b) Approval by the BOD and stockholders for the increase in authorized capital stock to cover the shares corresponding to the amount of the deposit; and,
- (c) Presented for filing or filed with the SEC the application for approval of the increase in authorized capital stock.

If any of the foregoing criterion are not met at the end of the reporting period, the deposit on future stock subscription is recognized as a liability.

2.20 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the judgments below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended.

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 only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Determination of Existence of a Contract with Customer

In a sale of real estate properties, the Company's primary document for a contract with a customer is a signed contract to sell which is executed when the real estate property sold is completed and ready or is substantially complete for use by customer. Moreover, as part of the evaluation, the Company assesses the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers the significance of the customer's down payment in relation to the total contract price [see Note 3.1(d)].

Collectability is also assessed by considering factors such as past history with the customer and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

(c) *Evaluation of Timing of Satisfaction of Performance Obligations*

The Company exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Company considers the following:

- any asset created or enhanced as the Company performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Company's enforceable right for payment for performance completed to date.

The Company determined that its performance obligation for sale of pre-completed projects is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose.

The Company has rights over payment for development completed to date as the Company can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

Revenue from completed real estate sales are recognized as the control transfer to the customer at the point in time and upon reaching the collection threshold set by management, i.e., income from sale is considered fully earned at the time the collection from customer has reached the desired percentage requirement of the total contract price.

(d) *Estimation of Collection Threshold for Revenue Recognition*

The Company uses judgment in evaluating the probability of collection of transaction price on real estate sales as a criterion for revenue recognition. The Company uses historical payment pattern of customers and number of sales cancellation in establishing a percentage of collection threshold over which the Company determines that collection of the transaction price is reasonably assured. Reaching this level of collection (15% of the contract price) is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer when reaching the set collection threshold would demonstrate the buyer's commitment to pay the total contract price.

(e) *Determination of ECL on Trade and Other Receivables and Due from Related Parties*

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

On the other hand, the Company uses a general approach to calculate ECL for receivables from related parties [see Note 3.2(c)]. The Company's management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties.

(f) *Distinction Among Investment Properties, Owner-occupied Properties and Real Estate Inventories*

The Company determined whether a property qualifies as investment property, owner-managed property or part of real estate inventory. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by the Company. Owner-managed properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while real estate inventories are properties intended solely for sale in the ordinary course of business while investment property comprise of land which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily for capital appreciation. The Company considers each property separately in making its judgment.

(g) *Determination of Capitalizable Borrowing Costs*

The Company determines whether borrowing costs qualify for capitalization as part of the cost of the qualifying asset or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. The total amount of capitalized borrowing costs amounted to P38.6 million and P46.4 million in 2021 and 2020, respectively (see Note 6). Failure to make the right judgment will result in misstatement of assets and net profit (see Notes 6 and 13).

(h) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provisions are discussed in Note 2.9 and disclosures on relevant provisions and contingencies are presented in Note 24.

(i) *Determination of Joint Control in an Arrangement*

Judgment is exercised in determining whether the Company has joint control of an arrangement or not. In assessing each interest over an arrangement, the Company considers voting rights, representation on the BOD or equivalent governing body of the arrangement, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

Based on management's assessment, the Company has joint control over the arrangement disclosed in Note 22.1, hence, accounted for in accordance with the Company's policy for interest in jointly controlled operations (see Note 2.5). However, joint control is not present on certain arrangements described in Note 24.2, hence, are not considered as jointly controlled operations in accordance with PFRS 11. Accordingly, the arrangements are considered as a financing transaction and are accounted for in accordance with the requirements of PFRS 9

3.2 Key Sources of Estimation Uncertainty

The items below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Revenue Recognition for Performance Obligation Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Company measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Company estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 25.2.

(d) Determination of Percentage-of-Completion for Real Estate Transactions

In determining the amount of revenue to be recognized for real estate transactions involving sale of subdivision house and lots wherein performance obligations are satisfied over time, the Company measures progress based on the input method that measures total cost incurred on the units over its total estimated costs. The Company estimates the total costs of the projects with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and applies changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change. The Company recognized revenues from sale of completed and substantially completed subdivision house and lot amounting to P833.1 million, P435.1 million, and P359.9 million in 2021, 2020 and 2019, respectively, and are presented as Real Estate Sales account in the statements of comprehensive income.

(e) *Determination of the Amount of Costs Incurred to Obtain or Fulfill a Contract with Customer*

In determining the amount of costs to obtain a contract that should be capitalized, the Company identifies those costs which would have not been incurred if the contract had not been obtained. The carrying amounts, net of subsequent amortization, of costs incurred to obtain the contracts with customers (or counterparties) relating to the sale of subdivision lots and condominium units are presented as part of Others under Prepayments and Other Assets in the statements of financial position (see Note 7).

For the costs incurred in fulfilling a contract, the Company recognizes an asset only if: those costs related directly to a contract or to an anticipated contract can be specifically identified; those costs generate or enhance the Company's resources that will be used in satisfying performance obligation in the future; and the Company expects those costs to be recovered. There were no recognized assets arising from costs incurred in fulfilling the contracts during the reporting periods as the Company accounted for such costs in accordance with accounting policies related to other financial reporting standards.

(f) *Fair Value Measurement of Investment Properties*

Investment properties are measured using the cost model. For land with undetermined use, the fair value is determined using the observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning and accessibility. A significant change in the elements may affect prices and the value of the assets.

For land, the Company determines the fair value using market-based valuation approach where prices of comparable properties are adequate for specific market factors, such as location and condition of the property. Based on management's assessment as at December 31, 2020, the costs of these investment properties still approximates their fair values since the property is still newly acquired and considering price volatility, market position and current economic conditions; hence, no impairment loss is recognized. However, as of December 31, 2021, the fair value of the investment properties is based on an independent appraisal of the property.

Relevant disclosures relating to the fair value of the Company's investment property are disclosures in Note 27.2.

(g) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventories are presented in Note 6 is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's real estate inventories within the next financial year.

Based on management's assessment as at December 31, 2021 and 2020, the carrying values of real estate inventories are lower than their net realizable values considering present market rates; hence, no impairment loss is recognized (see Note 6).

(h) *Estimation of Useful Lives of Property and Equipment and Right-of-use Assets*

The Company estimates the useful lives of property and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and right-of-use assets are disclosed in Notes 9 and 11.1. Based on management's assessment as at December 31, 2021 and 2020, there is no change in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2021 and 2020 will be utilized in the coming years. The carrying value of deferred tax assets as of those dates are disclosed in Note 20.

(j) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset, or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate (see Note 2.12). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of the operations.

Based on management's assessment, no impairment loss is required to be recognized in 2021 and 2020 on its investments properties, property and equipment, right-of-use assets and other non-financial assets.

(k) *Valuation of Retirement Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of retirement benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movement in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such defined obligation are presented in Note 17.2.

4. CASH

This account is composed of the following:

	<u>2021</u>	<u>2020</u>
Cash in banks	P 35,731,460	P 35,552,568
Cash on hand	<u>136,187</u>	<u>79,123</u>
	<u>P 35,867,647</u>	<u>P 35,631,691</u>

Cash in banks generally earn interest based on daily bank deposit rates. Interest income earned from cash in banks is presented as part of Finance Costs - net account in the statements of comprehensive income (see Note 21).

5. TRADE AND OTHER RECEIVABLES

The account consists of the following:

	<u>2021</u>	<u>2020</u>
Current:		
Trade receivables	P 10,753,785	P 16,205,062
Retention receivable	62,540,717	71,932,640
Advances to officers and employees	42,675,877	18,338,576
Others	<u>7,725,104</u>	<u>1,405,179</u>
	<u>123,695,483</u>	<u>107,881,457</u>
Non-current:		
Retention receivable	89,588,093	34,555,723
Trade receivables	<u>4,096,612</u>	<u>-</u>
	<u>93,684,705</u>	<u>34,555,723</u>
	<u>P 217,380,188</u>	<u>P 142,437,180</u>

Trade receivables are generally collectible in monthly installments over a period of less than a year. Non-current trade receivables during the year pertain to the in-house financed sales for which are collectible in installments for more than a year inclusive of interest. Interest income earned from all trade receivables are presented as part of Other Income - net account in the statements of comprehensive income (see Note 19).

Retention receivables are amounts retained by HDMF from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 406, *Determination of Retention Fees for Developer Assisted Housing Loan Accounts and Transfer or Registration Fees for Retail Housing Loan Accounts*. The said amount shall be released upon submission of relevant documents and subsequent performance of the terms stated in the undertaking.

Advances to officers and employees are noninterest-bearing and are generally subject to liquidation and salary deduction, which are used for official business purposes. In 2021, the Company offset the remaining unpaid dividends declared during the year amounting to P0.2 million (see Note 23).

Others pertain to reimbursable miscellaneous items related to transfer of ownership paid by the Company on behalf of the customers (i.e., insurance, meter installations and electricity billings).

All trade and other receivables, except advances to officers and employees, are subject to credit risk exposure (see Note 25.2). However, the Company identified specific concentrations of credit risk regarding Trade and Retention receivables as all the amounts recognized consist of receivables from HDMF. Most receivables from trade customers are financed through HDMF. The titles of the real estate properties remain with the Company until the receivables are fully collected. Management assessed the ECL of these receivables as nil since these are collectible within a year from a well-funded debtor in addition to having the ownership over the title of the property until full collection.

6. REAL ESTATE INVENTORIES

The account is composed of the following, which are all measured at cost as of December 31:

	<u>2021</u>	2020 [As Restated – see Note 2.1(e)]
Raw land inventory	P 288,406,896	P 95,339,987
Property development costs	236,923,810	271,354,378
Residential unit for sale	<u>60,867,614</u>	<u>54,000,804</u>
	<u>P 586,198,320</u>	<u>P 420,695,169</u>

Certain parcels of land reported under raw land inventory and property development cost with total carrying values of P62.5 million and P177.2 million for 2021 and 2020 were pledged as collaterals for outstanding loans with local banks (see Note 13).

The movements in the inventory balances as of December 31 are shown below.

	Notes	<u>2021</u>	2020 [As Restated – see Note 2.1(e)]
Balance at beginning of year		P 420,695,169	P 268,274,164
Additions		579,747,887	354,522,544
Capitalized borrowing costs		38,581,592	46,431,700
Reclassification	10	-	(1,885,860)
Cost of units sold	15	<u>(452,826,329)</u>	<u>(248,363,919)</u>
Balance at end of year		<u>P 586,198,320</u>	<u>P 420,695,169</u>

There was no impairment of inventories in both years.

The capitalization rate for 2021 and 2020 is 21.46% and 28.20% for 2021 and 2020, respectively (see Note 13).

7. PREPAYMENTS AND OTHER ASSETS

The composition of this account as of December 31 is shown below.

	<u>Notes</u>	<u>2021</u>	2020 [As Restated – see Note 2.1(e)]
Current:			
Advances to suppliers and contractors		P 89,448,599	P 65,042,112
Materials inventory		33,959,991	20,697,970
Rental deposits	25.2	11,815,000	633,500
Creditable withholding taxes		6,869,665	-
Deferred input VAT		911,111	1,369,186
Others	14.2	<u>153,648</u>	<u>120,588</u>
		<u>143,158,014</u>	<u>87,863,356</u>
Non-current:			
Refundable deposits	25.2	2,479,242	7,026,756
Advances to co-joint operator	22	<u>-</u>	<u>6,452,788</u>
		<u>2,479,242</u>	<u>13,479,544</u>
		<u>P 145,637,256</u>	<u>P 101,342,900</u>

Advances to suppliers and contractors are advance payments made for purchases and construction projects as part of the terms of payments to the suppliers and contractors.

Materials inventory includes unused construction materials not released for any projects under construction as of December 31, 2021 and 2020.

Rental deposits pertain to payments made for office rental in Parkway, Muntinlupa which is refundable at the end of the rental term. Refundable deposits, on the other hand, pertain to payments made to utility companies for the installation of utilities such as electricity and water connection in relation to the Company's real estate projects. These payments are refundable once the projects are completed.

Advances to co-joint operator pertain to the excess advances made by the Company to its co-joint operator based on their agreed terms of payments over the actual share of the co-joint operator in the sales based on their income sharing terms. These excess advances will be reversed by the Company upon sale of all units agreed in their sharing terms over the succeeding years. As of December 31, 2021, the Company's total payments to the co-joint operator was less than the co-joint operator's cumulative share in the units sold on their jointly controlled operations, hence, the remaining unpaid share of the co-joint operator amounting to P6.7 million is presented as part of Due to Co-Joint Operator in the 2021 statement of financial position (see Note 22.1).

Others include prepaid rents and various miscellaneous prepayments.

8. DEPOSIT FOR FUTURE LAND ACQUISITION

The Company grants cash advances to a number of landowners on which these advances forms part of the total purchase price of the land. Upon full payment of the purchase price and execution of the deed of absolute sale, these are reclassified as real estate inventories. As of December 31, 2020, the advances amounting to P7.0 million are presented as Deposit for Future Land Acquisition in the 2020 statement of financial position.

In 2021, this deposit has been utilized and hence reclassified to Raw land inventory under Real Estate Inventories account in the 2021 statement of financial position.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property and equipment at the beginning and end of 2021 and 2020 are shown below.

	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Construction Tool and Equipment</u>	<u>Service Vehicles</u>	<u>Total</u>
December 31, 2021					
Cost	P 1,394,018	P 224,313	P 31,899,564	P 4,731,623	P 38,249,518
Accumulated depreciation and impairment losses	(882,446)	(224,313)	(13,945,798)	(545,513)	(15,598,070)
Net carrying amount	<u>P 511,572</u>	<u>P -</u>	<u>P 17,953,766</u>	<u>P 4,186,110</u>	<u>P 22,651,448</u>
December 31, 2020					
Cost	P 771,120	P 224,313	P 19,878,828	P -	P 20,874,261
Accumulated depreciation and impairment losses	(516,330)	(224,313)	(7,791,830)	-	(8,532,473)
Net carrying amount	<u>P 254,790</u>	<u>P -</u>	<u>P 12,086,998</u>	<u>P -</u>	<u>P 12,341,788</u>
January 1, 2020					
Cost	P 545,735	P 224,313	P 12,533,103	P -	P 13,303,151
Accumulated depreciation and impairment losses	(400,874)	(224,313)	(3,037,109)	-	(3,662,296)
Net carrying amount	<u>P 144,861</u>	<u>P -</u>	<u>P 9,495,994</u>	<u>P -</u>	<u>P 9,640,855</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2021 and 2020 is shown below and in the succeeding page.

	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Construction Tool and Equipment</u>	<u>Service Vehicles</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation	P 254,790	P -	P 12,086,998	P -	P 12,341,788
Additions	622,898	-	12,020,736	4,731,623	17,375,258
Depreciation charges for the year	(366,116)	-	(6,153,968)	(545,513)	(7,065,598)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 511,572</u>	<u>P -</u>	<u>P 17,953,766</u>	<u>P 4,186,110</u>	<u>P 22,651,448</u>
Balance at January 1, 2020, net of accumulated depreciation	P 144,861	P -	P 9,495,994	P -	P 9,640,855
Additions	225,385	-	7,345,725	-	7,571,110
Depreciation charges for the year	(115,456)	-	(4,754,721)	-	(4,870,177)
Balance at December 31, 2020, net of accumulated depreciation	<u>P 254,790</u>	<u>P -</u>	<u>P 12,086,998</u>	<u>P -</u>	<u>P 12,341,788</u>

	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Construction Tool and Equipment</u>	<u>Service Vehicles</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation	P 12,778	P -	P 330,890	P -	P 343,668
Additions	171,043	-	12,144,800	-	12,315,843
Depreciation charges for the year	(38,960)	-	(2,979,696)	-	(3,018,656)
Balance at December 31, 2019, net of accumulated depreciation	<u>P 144,861</u>	<u>P -</u>	<u>P 9,495,994</u>	<u>P -</u>	<u>P 9,640,855</u>

The cost of property and equipment which are fully depreciated and are still in use in the Company's operation amounted to P0.2 million both in 2021 and 2020, respectively.

The details of presentation of depreciation and amortization on the statements of comprehensive income are as follows.

	<u>Notes</u>	<u>2021</u>	<u>2020</u> [As Restated – see Note 2.1(e)]	<u>2019</u> [As Restated – see Note 2.1(e)]
Cost of real estate sales – property development cost	15	P 6,153,968	P 4,754,721	P 2,979,696
Administrative expenses		<u>911,630</u>	<u>115,456</u>	<u>38,960</u>
	16	<u>P 7,065,598</u>	<u>P 4,870,177</u>	<u>P 3,018,656</u>

None of the Company's property and equipment are used as collateral for its outstanding interest-bearing loans.

10. INVESTMENT PROPERTY

In 2020, the Company reclassified from Real Estate Inventories to Investment Property a parcel of land purchased in 2018, which is part of Sannera San Pablo Phase 1 located in San Pablo, Laguna. The land has an aggregate area of 1,078 square meters and a historical cost of P1.9 million. Management appraised these parcels of land during 2021 and assessed that there is no impairment on their carrying values. There was no similar transaction and no additional acquisitions for 2021. Information relating to fair value measurements and disclosures are disclosed in Note 27.2.

11. LEASES

The Company has leases for certain transportation equipment and construction equipment. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. These leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For lease over office space, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

11.1 Right-of-use Assets

The carrying amounts and movements of the Company's right-of-use assets are shown below.

	<u>Transportation Equipment</u>	<u>Construction Equipment</u>	<u>Total</u>
December 31, 2021			
Balance at beginning of year	P 1,540,087	P 6,565,919	P 8,106,006
Amortization for the year	(837,273)	(3,374,840)	(4,212,113)
Balance at end of year	<u>P 702,814</u>	<u>P 3,191,079</u>	<u>P 3,893,893</u>
December 31, 2020			
Balance at beginning of year	P 2,549,964	P -	P 2,549,964
Additions	-	7,309,076	7,309,076
Effect of change due to lease modification	(169,829)	-	(169,829)
Amortization for the year	(840,048)	(743,157)	(1,583,205)
Balance at end of year	<u>P 1,540,087</u>	<u>P 6,565,919</u>	<u>P 8,106,006</u>
January 1, 2020			
Balance at beginning of year	P -	P -	P -
Additions	2,699,962	-	2,699,962
Amortization for the year	(149,998)	-	(149,998)
Balance at end of year	<u>P 2,549,964</u>	<u>P -</u>	<u>P 2,549,964</u>

Amortization is presented on the statements of comprehensive income as follows.

	<u>Notes</u>	<u>2021</u>	<u>2020</u> [As Restated – see Note 2.1(e)]	<u>2019</u> [As Restated – see Note 2.1(e)]
Cost of real estate sales – property development cost	15	P 3,374,840	P 743,157	P -
Administrative expenses		<u>837,273</u>	<u>840,048</u>	<u>149,998</u>
	16	<u>P 4,212,113</u>	<u>P 1,583,205</u>	<u>P 149,998</u>

11.2 Lease Liabilities

Lease liabilities are presented in the statements of financial position as at December 31 as follows:

	<u>2021</u>	<u>2020</u>
Current	P 2,884,146	P 2,381,040
Non-current	<u>1,417,293</u>	<u>4,301,439</u>
	<u>P 4,301,439</u>	<u>P 6,682,479</u>

Presented below is the reconciliation of the Company's lease liabilities.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		P 6,682,479	P 2,073,663
Repayment of lease liabilities		(3,264,891)	(3,085,143)
Interest amortization on lease liabilities	21	883,851	554,712
Additional lease liability		-	7,309,076
Effect of change in lease modification		<u>-</u>	<u>(169,829)</u>
Balance at end of year		<u>P 4,301,439</u>	<u>P 6,682,479</u>

As of December 31, 2021 and 2020, the Company had not committed to any leases, which had not commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as of December 31, 2021 and 2020 are as follows:

	<u>Within one year</u>	<u>1 to 2 years</u>	<u>More than 2 years</u>	<u>Total</u>
2021:				
Lease payments	P 3,179,852	P 1,687,677	P -	P 4,867,529
Finance charges	<u>(295,706)</u>	<u>(270,384)</u>	<u>-</u>	<u>(566,090)</u>
Net present values	<u>P 2,884,146</u>	<u>P 1,417,293</u>	<u>P -</u>	<u>P 4,301,439</u>
2020:				
Lease payments	P 3,333,720	P 3,179,852	P 1,687,677	P 8,201,249
Finance charges	<u>(952,680)</u>	<u>(295,706)</u>	<u>(270,384)</u>	<u>(1,518,770)</u>
Net present values	<u>P 2,381,040</u>	<u>P 2,884,146</u>	<u>P 1,417,293</u>	<u>P 6,682,479</u>

11.3 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest expense, amounted to P3.3 million in 2021 and P3.1 million in 2020. Interest expense relative to lease liabilities amounted to P0.9 million and P0.6 million in 2021 and 2020, respectively, is presented as part Finance Costs – net in the statements of comprehensive income (see Note 21).

12. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Trade payables		P 200,504,339	P 163,271,964
Customers' deposits		40,015,038	25,660,729
Interest payables		33,484,909	45,317,742
Accrued expenses	16	22,774,992	15,399,914
Retention payable		11,534,548	8,577,383
Statutory payables		3,231,118	1,410,454
Output VAT payable		2,837,972	1,400,255
Others		<u>112,626</u>	<u>112,400</u>
		<u>P 314,495,542</u>	<u>P 261,150,841</u>

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Company's projects and are normally payable within 30 to 90 days.

Customers' deposits pertain to the initial collections of the Company from its customers as part of their 15% equity share or down payment for the unit sold. If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. These amounts are reclassified to revenue and receivable on uncollected portion upon full collection of the 15% equity share within six to twelve months. The Company recognizes revenues only upon collecting the 15% equity share and securing a loan application with HDMF or any accredited financing entities, to ensure the collectability of the full transaction price and mitigate any risk of sale back-outs.

Accrued expenses mainly refer to accrual of commission expenses and other expenses.

Statutory payables, on the other hand, pertain to unremitted withholding taxes and contributions to government related agencies.

Retention payable pertains to amount withheld from payments made to contractors. Retention period is within one year upon transfer of completed units and each unit have an expected completion of four to six months.

13. INTEREST-BEARING LOANS

Short-term and long-term interest-bearing loans are broken down as follows:

	<u>2021</u>	2020 [As Restated – see Note 2.1(c)]
Current	P 157,053,322	P 72,227,232
Non-current	<u>139,359,091</u>	<u>80,485,255</u>
	<u>P 296,412,413</u>	<u>P 152,712,487</u>

These loans represent loans obtained from certain local banks and other financing entities (see Note 24.2).

(a) *Bank loans*

The bank loans are specifically obtained to finance the projects of the Company bearing annual interest rates ranging from 5.50% to 6.25% in 2021 and ranging from 5.75% to 7.88% in 2020.

The Company capitalized borrowing costs from bank loans amounting to P2.8 million and P4.1 million for 2021 and 2020, respectively, with a capitalization rate of 3.33% and 7.11% in each respective year.

Certain parcels of land, accounted for as part of Real Estate Inventories, with total carrying values of P62.5 million and P177.2 million as of December 31, 2021 and 2020, respectively, were pledged as collaterals for bank loans (see Note 6).

The Company has complied with loan covenant of maintaining Loan to Value (LTV) ratio not exceeding sixty percent (60%) at the end of the reporting periods and maintaining certain credit facilities to be used exclusively for the projects for which the credit facility was entered into. The LTV ratio is calculated as the ratio of (i) the total outstanding amount under the Term Loan Facility; and (ii) the sum of the “*Security Value of the Project*” or the latest appraised value of the Project as determined by the lender, taking into account the land value and improvements introduced as of the relevant date. The Company also has complied with continuing the undertaken surety agreements between the Company and the Surety (see Note 22.5).

(b) *Financing arrangements*

A loan from financing arrangements with third party was obtained in 2019 to finance the purchase of a parcel of land to be used for the development of the Company’s project. The loan’s interest will be settled through share in the expected units to be sold on the project from 2019 until 2022 (see Note 24.2).

Borrowing costs related to this financing arrangement have been capitalized by the Company amounting to P35.8 million and P42.3 million in 2021 and 2020, respectively, with a capitalization rate of 31.21% in both years (see Note 6).

The Company also had a new financing arrangement obtained in 2021 specifically to finance a Company's project, bearing an annual interest rate of 12%. The said project has not commenced yet as of December 31, 2021, hence, finance costs incurred related to this loan was not yet capitalized and is presented as part of Finance Costs - Net account in the 2021 statement of comprehensive income (see Notes 21 and 24.2).

Total capitalized borrowing costs were recognized as part of Property development costs under Real Estate Inventories account in the statements of financial position, with an overall average capitalization rate of 21.46% and 28.20% for 2021 and 2020, respectively.

The details of the interest expense attributable to all the interest-bearing loans of the Company are allocated as follows.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capitalized as part of property development costs	6	P 38,581,592	P 46,431,700	P 18,201,381
Finance costs	21	<u>25,832,022</u>	<u>1,833,446</u>	<u>693,983</u>
		<u>P 64,413,614</u>	<u>P 48,265,146</u>	<u>P 18,895,364</u>

The movements of interest-bearing loans as of December 31 are as follows:

	<u>2021</u>	<u>2020</u> [As Restated – see Note 2.1(e)]
Balance at beginning of year	P 152,712,487	P 178,955,849
Availments	309,522,800	9,506,926
Repayments	(165,822,874)	(35,750,288)
Balance at end of year	<u>P 296,412,413</u>	<u>P 152,712,487</u>

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

14.1 Disaggregation of Revenues

All sales in 2021 and 2020 pertain to sale of completed and substantially completed residential housing units. Real estate revenues from sale residential housing are broken down as follows:

	<u>Note</u>	<u>2021</u>	<u>2020</u> [As Restated – see Note 2.1(e)]	<u>2019</u>
Geographical areas:				
Laguna				
Revenue on sold units		P 470,156,483	P 425,250,305	P 359,877,919
Share of co-joint operator	22.1	(38,485,850)	(26,514,742)	-
		<u>431,670,633</u>	<u>398,735,563</u>	<u>359,877,919</u>
Quezon		<u>401,433,639</u>	<u>36,365,750</u>	<u>-</u>
		<u>P 833,104,272</u>	<u>P 435,101,313</u>	<u>P 359,877,919</u>

In 2020, back-out sales pertain to sales recognized from previous years. Losses from such transactions amounting to P1.1 million is presented as Loss on sales cancellation under Other Income - net (see Note 19) in the 2020 statement of comprehensive income. There were no similar transactions in 2021.

14.2 Direct Contract Costs

The Company incurs sales commission upon execution of contracts to sell real properties to customers as presented below:

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		P 15,163	P 13,432
Capitalized commissions		54,555,322	28,714,072
Commission expense	16	(54,496,078)	(28,712,341)
Balance at end of year		<u>P 74,407</u>	<u>P 15,163</u>

Incremental costs of commission incurred to obtain contracts are capitalized and presented as part of Others under Prepayments and Other Current Assets in the statements of financial position (see Note 7). These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts.

15. COST OF REAL ESTATE SALES

The details of cost of sales are shown below.

	<u>Notes</u>	<u>2021</u>	2020 [As Restated – see Note 2.1(c)]	<u>2019</u>
Residential units for sale		P 286,876,322	P 184,576,027	P 242,644,613
Property development costs		129,844,503	48,420,943	38,508,386
Raw land		<u>36,105,504</u>	<u>15,366,949</u>	<u>25,978,199</u>
	6, 16	<u>P 452,826,329</u>	<u>P 248,363,919</u>	<u>P 307,131,198</u>

16. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

		2020	
Notes	2021	[As Restated – see Note 2.1(e)]	2019
	P 182,285,439	P 102,185,759	P 203,096,389
Materials			
Land development	120,315,696	42,923,064	35,528,690
Contractors' fees	98,904,317	80,962,462	37,910,616
Commission expense	14.2 54,496,078	28,712,342	21,579,560
Professional fees	46,425,629	5,386,142	4,666,960
Allocated land cost	36,105,504	15,366,949	25,978,199
Salaries and employee benefits	17.1 26,880,132	24,905,604	5,553,053
Taxes and licenses	19,392,653	5,351,763	4,747,075
Documentation cost	12,604,735	6,112,732	5,941,140
Advertising and promotion	11,969,825	4,996,979	4,820,613
Depreciation and amortization	9, 11 11,277,711	6,453,382	3,168,654
Security services	5,893,887	4,619,411	3,031,137
Overhead	5,686,566	1,427,806	1,637,608
Repairs and maintenance	2,325,173	945,210	510,380
Office supplies	1,739,212	801,886	490,983
Insurance	1,395,692	1,136,679	211,632
Utilities	944,236	922,540	351,870
Tools and other supplies	648,495	1,213,188	1,394,282
Penalties and surcharge	625,270	1,192,613	-
Representation	487,726	646,164	516,857
Trainings and seminars	386,708	-	37,739
Miscellaneous expenses	6,074,896	2,428,901	2,278,219
	<u>P 646,865,580</u>	<u>P 338,691,576</u>	<u>P 363,451,656</u>

These expenses are classified in the statements of comprehensive income as follows.

		2020	
Note	2021	[As Restated – see Note 2.1(e)]	2019
Cost of real estate sales	15 P 452,826,329	P 248,363,919	P 307,131,198
Administrative expenses	115,733,551	50,921,437	25,191,721
Selling and marketing	78,305,700	39,406,220	31,128,737
	<u>P 646,865,580</u>	<u>P 338,691,576</u>	<u>P 363,451,656</u>

The Company employs marketing services for real estate sales, in return, the Company recognizes sales commission, the payment of which is based on the collections made by the Company from its customers. The outstanding balance of commission amounted to P20.5 million and P14.6 million as of December 31, 2021 and 2020, respectively, is presented as part of Accrued Expenses under Trade and Other Payables account in the statements of financial position (see Note 12).

Miscellaneous expenses include transportation and travel, postage and communication, printing and photocopy, office consumables, donations, and other expenses.

17. EMPLOYEE BENEFITS

17.1 Salaries and Employee Benefits

The detail of this account is presented as follows.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Salaries and wages		P 26,760,847	P 24,866,623	P 5,529,017
Post-employment benefits	17.2	<u>119,285</u>	<u>38,981</u>	<u>24,036</u>
	16	<u>P 26,880,132</u>	<u>P 24,905,604</u>	<u>P 5,553,053</u>

17.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Company maintains an unfunded, noncontributory post-employment benefit plan. The post-employment plan covers all regular full-time employees. Under the plan, the employees are entitled to post-employment benefits equal to salary for 22.5 days for every year of credited service in accordance with R.A. No. 7641, *The Retirement Pay Law*.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs. All amounts presented below and in the succeeding page are based on the actuarial valuation report obtained from an independent actuary in 2021 and 2020.

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		P 1,119,554	P 231,657
Current service costs	17.1	119,285	38,981
Interest expense	21	44,222	12,092
Remeasurement –			
Actuarial losses (gains)			
arising from:			
Experience adjustments		(856,766)	650,992
Demographic assumptions		(269,265)	-
Changes in financial assumptions		(19,326)	<u>185,832</u>
Balance at end of year		<u>P 137,704</u>	<u>P 1,119,554</u>

The components of amounts recognized in profit or loss and in other comprehensive income (loss) in respect of the defined benefit post-employment plan are presented below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>				
Current service costs	17.1	P 119,285	P 38,981	P 24,036
Interest expense	21	<u>44,222</u>	<u>12,092</u>	<u>9,548</u>
		<u>P 163,507</u>	<u>P 51,073</u>	<u>P 33,584</u>
<i>Reported in other comprehensive income (loss) –</i>				
Actuarial gains (losses)				
arising from:				
Experience adjustments		P 856,766	(P 650,992)	(P 22,624)
Demographic assumptions		269,265	-	-
Changes in financial Assumptions		<u>19,326</u>	<u>(185,832)</u>	<u>(48,314)</u>
		<u>P 1,145,357</u>	<u>(P 836,824)</u>	<u>(P 70,938)</u>

Current service costs and interest expense are presented as part of Administrative expenses account under Other Operating Expenses section and Finance Costs - net account, respectively, in the statements of comprehensive income.

Actuarial gains (losses) arising from experience adjustments recognized in other comprehensive income (loss) pertain to the net effect of differences between the previous financial and demographic assumptions and what actually occurred while actuarial gains (losses) arising from changes in financial assumptions are due to increase in discount rate.

Amounts recognized in other comprehensive income were included within item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discount rates	5.08%	3.95%	5.22%
Expected rate of salary increases	5.00%	5.00%	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 48.5 years for males and 30.9 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, the Company has no plan assets that will offset decrease in the interest rate.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumptions</u>	<u>Increase in Assumptions</u>	<u>Decrease in Assumptions</u>
2021:			
Discount rate	+12.3%/- 10.5% (P	16,919) P	14,430
Salary increase rate	+12.2%/- 10.6%	16,671 (14,570)
2020:			
Discount rate	+16.3%/- 13.4% (P	182,937) P	150,065
Salary increase rate	+16.0%/- 13.4%	179,037 (149,998)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the post-employment benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting sensitivity analysis, the present value of the post-employment benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

The plan is still unfunded based on the latest actuarial valuation, therefore, benefit claims under the plan are paid directly by the Company when they become due.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
More than one year to 5 years	P 79,124	P 300,791
More than five years to 10 years	<u>669,176</u>	<u>344,484</u>
	<u>P 748,300</u>	<u>P 645,275</u>

The weighted average duration of the defined benefit obligation is 11.4 years and 14.9 years at the end of 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Company has not yet determined how much and when to fund the post-employment defined benefit plan.

18. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

The Company received cash from existing and potential stockholders amounting to P56.1 million and P78.6 million in 2021 and 2020, respectively. Total amounts received are presented as Deposit for Future Stock Subscription under the Non-current Liabilities section of the statements of financial position. The Company expects to complete the subscription agreements in 2022. The total Deposit for Future Stock Subscription as of December 31, 2021 amounting to P134.7 million will be converted and recorded as part of capital stock as soon as the approval from the SEC is obtained. Since the subscription agreements and application for approval from the SEC are still in progress as of December 31, 2021, the deposits are recognized as a liability in the statements of financial position.

19. OTHER INCOME – Net

This account consists of the following:

	Notes	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income from forfeited deposits		P 13,880,576	P 2,643,193	P 1,985,604
Gain on derecognition of liabilities		5,880,504	-	-
Processing fees		3,920,965	2,131,256	2,142,211
Realized foreign exchange losses		(1,924,548)	-	-
Interest income from contracts	5	600,757	882,225	881,005
Loss on sales cancellation	14	-	(1,104,001)	-
Miscellaneous		-	(278,446)	-
		<u>P 22,358,254</u>	<u>P 4,274,227</u>	<u>P 5,008,820</u>

Gain from derecognized liability pertains to reversal of excess accrual from previous year. The related liability has been fully paid in 2021. No similar reversal was made in 2020 and 2019.

Realized foreign exchange loss are recognized losses from new loans obtained in 2021 for which the functional currency of the loan is denominated in peso while the proceeds are denominated and received in foreign currency. As such, the Company recognized a foreign exchange loss due to the difference in exchange rate upon receipt of proceeds [see Note 25.1(a)].

20. CURRENT AND DEFERRED TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company.

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable would be lower by P0.5 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P69,638 and such was recognized in the 2021 profit or loss (P44,500) and in other comprehensive income or loss (P25,138). The components of tax expense (income) in the statements of comprehensive income are shown below.

	<u>2021</u>	2020 [As Restated – see Note 2.1(e)]	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% in 2021 and and 30% in 2020 and 2019	P 13,966,236	P 20,830,921	P -
Effect of change in income tax rate	(580,876)	-	-
Final tax at 20%	4,919	2,205	2,683
MCIT at 2%	-	-	911,029
Application of excess MCIT	<u>-</u>	<u>(1,164,944)</u>	<u>-</u>
	<u>13,390,279</u>	<u>19,668,182</u>	<u>913,712</u>
Deferred tax expense			
(income) relating to:			
Origination and reversal of temporary differences	2,679,960	2,835,990	(523,548)
Effect of change in income tax rate	(44,500)	<u>-</u>	<u>-</u>
	<u>2,635,460</u>	<u>2,835,990</u>	<u>(523,548)</u>
	<u>P 16,025,739</u>	<u>P 22,504,172</u>	<u>P 390,164</u>
<i>Reported in other comprehensive income (loss) –</i>			
Deferred tax expense			
(income) relating to:			
Origination and reversal of temporary differences	P 195,848	(P 129,549)	(P 21,281)
Effect of change in income tax rate	<u>25,138</u>	<u>-</u>	<u>-</u>
	<u>P 220,986</u>	<u>(P 129,549)</u>	<u>(P 21,281)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	<u>2021</u>	2020 [As Restated – see Note 2.1(e)]	<u>2019</u>
Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019	P 45,371,489	P 29,412,377	P 202,640
Effect of change in income tax rate	(625,376)	-	-
Adjustment for income subjected to lower tax rates	(1,230)	(1,103)	(1,343)
Tax effects of:			
Non-taxable income	(28,720,374)	(7,265,977)	(587,054)
Non-deductible expenses	1,230	358,875	588,088
Unrecoverable tax benefit	<u>-</u>	<u>-</u>	<u>187,833</u>
	<u>P 16,025,739</u>	<u>P 22,504,172</u>	<u>P 390,164</u>

The components of net deferred tax liabilities as of December 31, 2021 and 2020 are presented below.

	Statements of		Profit or loss		
	Financial Position				
	2021	2020	2021	2020	2019
Capitalized borrowing cost	(P 3,035,829)	-	P 3,035,829	P -	P -
Lease liabilities	71,825	(289,530)	(361,355)	146,640	142,890
Post-employment defined benefit obligation	(27,213)	168,811	(24,962)	(7,907)	(10,075)
Prepaid commission	18,602	4,549	(14,052)	(519)	(4,030)
Net operating loss carryover (NOLCO)	-	-	-	1,532,832	-
Excess MCIT over RCIT	-	-	-	1,164,944	(840,166)
Other tax benefit	-	-	-	-	187,833
Deferred tax liabilities – net	(P 2,972,615)	(P 116,170)			
Deferred tax expense (income)			P 2,635,460	P 2,835,990	(P 523,548)

The deferred tax income (expense) presented in Other Comprehensive Income (Loss) section of the statements of comprehensive income pertain to the tax effect of remeasurements of retirement benefit obligation which resulted in a tax income amounting to P220,986 in 2021 and tax expense of P129,549 and P21,281 in 2020 and 2019, respectively.

In 2020, the Company utilized its existing tax benefits from NOLCO and excess MCIT from previous years, amounting to P1.5 million and P1.2 million respectively. As of 2021, there were no outstanding tax benefits from NOLCO nor any excess MCIT over RCIT.

In 2021 and 2020, the Company opted to claim itemized deductions in computing for its income tax due.

20.1 Registration with the Board of Investments (BOI)

The Company registered with the BOI as an Expanding Developer of Economic and Low-Cost Housing Project for Sannera San Pablo Phase II – Brgy. San Antonio II, San Pablo City, Laguna. As such, the Company is entitled to a three-year income tax holiday (ITH) from October 2019 on the revenues generated from Sannera San Pablo Phase II project consisting of 315 house and lot units.

Pursuant to its current BOI registration, the Company is entitled to certain incentives, subject to certain conditions and requirements, under Executive Order No. 226, otherwise known as the *Omnibus Investment Code of 1987*, which include the following:

- (a) Income tax holiday for three years as applied only on the income generated from the sale of the registered units and internal revenue declaration pertaining to the capacity of the registered project; and,
- (b) Importation of capital equipment, spare parts and accessories at zero duty under Executive Order No. 85 and its Implementing Rules and Regulations.

21. FINANCE COSTS – Net

This account consists of the following:

	Notes	2021	2020 [As Restated – see Note 2.1(e)]	2019 [As Restated – see Note 2.1(e)]
<i>Finance costs:</i>				
Interest expense	13	(P 24,176,541)	(P 1,833,446)	(P 693,983)
Interest expense – financing arrangements	13, 22.1	(1,655,481)	-	-
Interest expense – lease liabilities	11	(883,851)	(554,712)	(59,569)
Interest on deficiency taxes		(134,284)	(134,814)	-
Bank charges		(241,211)	(118,668)	(9,933)
Interest expense – retirement benefit obligation	17	(44,222)	(12,092)	(9,548)
		(27,135,590)	(2,653,732)	(773,033)
<i>Finance income –</i>				
Interest income from bank deposits	4	24,599	11,023	13,417
		(P 27,110,991)	(P 2,642,709)	(P 759,616)

22. RELATED PARTY TRANSACTIONS

The Company's related parties include its joint operations, companies under common ownership, stockholders, and key management personnel.

The summary of the Company's transactions and outstanding balances with its related parties are as follows:

Related Party Categories	Notes	Amount of Transaction			Outstanding Balances	
		2021	2020 As Restated – see Note 2.1(e)]	2019 As Restated – see Note 2.1(e)]	2021	2020 As Restated – see Note 2.1(e)]
Joint Operations –						
Share in real estate sales	15, 22.1	P 38,485,850	P 26,514,742	P -	(P 6,660,379)	P 6,452,788
Parent Company:						
Deposit for future stock subscriptions	18, 22.3	38,434,767	28,620,000	-	(67,054,767)	(28,620,000)
Advances obtained - net	22.2	20,551,687	76,235,176	273,744	(97,060,607)	(76,508,920)
Advances given	22.2	72,498,600	-	-	72,498,600	-
Related Parties Under Common Ownership:						
Use of credit line	22.4	(1,922,361)	1,324,007	(3,246,639)	-	(1,922,361)
Advances given (obtained)	22.2	43,429,492	102,643,724	60,484,448	52,417,660	8,988,168
Key Management Personnel:						
Compensation	22.6	9,014,914	11,278,167	-	-	-
Advances	22.6	6,296,018	(9,040,000)	9,040,000	6,296,018	-
Deposit for future stock subscriptions	18, 22.3	17,680,412	-	-	(17,680,412)	-

Unless otherwise stated, the outstanding receivables and payables to related parties are generally unsecured, noninterest-bearing and payable in cash upon demand.

The management assessed that none of the outstanding balances from related parties are impaired; hence, no impairment losses were recognized in both years.

22.1 Joint Arrangements

The Company entered into an arrangement where it is obliged to develop the land contributed by its co-joint operator. The developed properties will then be marketed and sold by the Company and the co-joint operator will share in the sales made on the project based on a pre-agreed rate. The share of the co-joint operator from sales under the arrangement amounted to P38.5 million and P26.5 million in 2021 and 2020, respectively, (nil in 2019) and are netted against Real Estate Sales in the statements of comprehensive income (see Note 14.1).

The Company's outstanding payable relating to the co-joint operator's share in the sales amounted to P6.7 million as of December 31, 2021 presented as Due to Co-Joint Operator in the 2021 statement of financial position, and outstanding advances amounting to P6.5 million as of December 31, 2020 presented as Advances to co-joint operator as part of Other Non-Current Assets in the 2020 statement of financial position (see Note 7).

The movements in the outstanding receivable from (payable to) co-joint operator are as follows:

	<u>Notes</u>	<u>2021</u>	2020 [As Restated – see Note 2.1(e)]
Balance at beginning of year		P 6,452,788	P 8,000,000
Payments made		24,000,000	24,000,000
Share of co-joint operator in sales	14.1	(38,485,850)	(26,514,742)
Other adjustments		<u>1,372,683</u>	<u>967,530</u>
Balance at end of year	7	<u>(P 6,660,379)</u>	<u>P 6,452,788</u>

22.2 Advances to and from Related Parties

In previous years, the Company has an outstanding payable to a related party under common ownership, Malate Construction Development Corporation (MCDC) amounting to P93.6 million. In 2020, MCDC assigned this amount to 1802 SJ Holdings, Inc., the parent company, hence, the Company reclassified the amount to be directly payable to the parent company.

The total cash advances of the Company payable to the parent company amounted to P97.0 million and P76.5 million as of 2021 and 2020, respectively. Total cash advances payable to a related party under common ownership amounted to P1.9 million as of 2020 (nil as of 2021). These are presented as part of Due to Related Parties account in the statements of financial position.

The details of Due to Related Parties account as at December 31 are shown below.

	<u>2021</u>	<u>2020</u>
Parent company	P 97,060,607	P 76,508,920
Related parties under common ownership	<u>-</u>	<u>1,922,361</u>
	<u>P 97,060,607</u>	<u>P 78,431,281</u>

The movements in the Due to Related Parties account are shown below.

	<u>2021</u>	<u>2020</u>
Parent company:		
Balance at beginning of year	P 76,508,920	P 273,744
Additional advances obtained	20,551,687	215,441,658
Assignment of advances	-	93,655,556
Repayment	<u>-</u>	<u>(232,862,038)</u>
Balance at end of year	<u>P 97,060,607</u>	<u>P 76,508,920</u>
Relater parties under common ownership:		
Balance at beginning of year	P 1,922,361	P 96,902,195
Repayment	(1,922,361)	(1,324,278)
Assignment of advances	<u>-</u>	<u>(93,655,556)</u>
Balance at end of year	<u>P -</u>	<u>P 1,922,361</u>

Advances made by the Company to the parent company amounted to P72.5 million as of 2021 (nil as of 2020) while total advances made by the Company to related parties under common ownership, amounting to P52.4 million and P9.0 million as of 2021 and 2020, respectively, are all presented as part of Due from Related Parties account in the statements of financial position.

The details of Due from Related Parties account as at December 31 are shown below.

	<u>2021</u>	<u>2020</u>
Parent company	P 72,498,600	P -
Related parties under common ownership	<u>52,417,660</u>	<u>8,988,168</u>
	<u>P 124,916,260</u>	<u>P 8,988,168</u>

The movements in the Due from Related Parties account are shown below.

	<u>2021</u>	<u>2020</u>
Parent company:		
Balance at beginning of year	P -	P -
Additional advances given	<u>72,498,600</u>	<u>-</u>
Balance at end of year	<u>P 72,498,600</u>	<u>P -</u>
Relater parties under common ownership:		
Balance at beginning of year	P 8,988,168	P -
Additional advances given	<u>43,429,492</u>	<u>8,988,168</u>
Balance at end of year	<u>P 52,417,660</u>	<u>P 8,988,168</u>

The advances are noninterest-bearing, unsecured and payable in cash upon demand.

22.3 Equity Advances

In 2021 and 2020, the Company received equity advances from its parent company and certain key management personnel amounting to P56.1 million and P28.6 million, respectively, reported under Deposit for Future Stock Subscription (Note 18). The Company expects to complete the subscription agreements in 2022.

22.4 Use of Credit Line

The Company was granted by its related party under common ownership an extension of credit line to purchase certain construction equipment amounting to P3.9 million. The finance cost incurred related to such loan is P0.1 million and P0.2 million for 2021 and 2020, respectively. This is reported as interest expense under Finance Costs – Net in the statement of comprehensive income.

The outstanding balances payable to the related party under common ownership as of December 31, 2020 amounted to P1.9 million and is presented as part of Due to Related Parties account in the 2020 statement of financial position. There were no outstanding balances in relation to this agreement as of December 31, 2021.

22.5 Continuing Suretyship Agreement

The Company's stockholders act as sureties in favor of certain banks for its revolving credit line for the Company's working capital requirements (see Note 13). The loans remain outstanding as at December 31, 2021 and 2020.

22.6 Key Management Personnel Compensation

Total remuneration of key management personnel amounted to P9.0 million and P11.3 million for 2021 and 2020, respectively (nil in 2019).

The details of the key management personnel compensation in 2021 and 2020 (nil in 2019) are as follows.

	<u>2021</u>	<u>2020</u>
Salaries and wages	P 8,973,133	P 11,278,167
Post-employment benefits	41,781	-
	<u>P 9,014,914</u>	<u>P 11,278,167</u>

In February 2020, the Company converted the advances to its officers amounting to P9.0 million to performance incentive for its employees and key management personnel. Outstanding advances made to key management personnel amounting to P6.3 million in 2021 (nil in 2020) are presented as part of Advances to officers and employees under Trade and Other Receivables account in the 2021 statement of financial position.

23. EQUITY

Details of capital stock as of December 31, 2021 and 2020 are shown below.

	<u>Shares</u>	<u>Amount</u>
Common stock – P1,000 par value		
Authorized	<u>400,000</u>	<u>P 400,000,000</u>
Subscribed	<u>250,000</u>	<u>P 250,000,000</u>
Issued and outstanding	<u>82,500</u>	<u>P 82,500,000</u>
Preferred stock – P1,000 par value		
Authorized	<u>100,000</u>	<u>P 100,000,000</u>

On December 20, 2019, the SEC approved the Company's amendment of the articles of incorporation to increase the authorized capital stock from P200.0 million divided into 100,000 shares with par value of P1,000 per share to P500.0 million total authorized shares divided into 400,000 common shares and 100,000 preferred shares both with par value of P1,000 per share. In the same year, the Company issued 70,000 shares at P1,000 per share for P70.0 million.

As of December 31, 2021 and 2020, there are no issued and outstanding preferred stocks. Further, the Company has 10 stockholders owning 100 or more shares each of the Company's capital stock.

During 2021, the Company declared dividends amounting P35.3 million for which P34.8 million has already been paid as of December 31, 2021. Dividends declared amounted to P141.35 per share. The unpaid portion amounting to P0.2 million is netted against Advances to officers and employees under current Trade and Other Receivables account in the 2021 statement of financial position (see Note 5).

As at December 31, 2021, the balance of the Company's retained earnings exceeded its paid-in capital. In relation to this, the Company's BOD declared dividends in March 2022 amounting to P475.0 per share or P118.8 million to stockholders of record as of December 31, 2021.

24. COMMITMENTS AND CONTINGENCIES

24.1 Unused Credit Lines

As of December 31, 2021 and 2020, the Company has unused credit lines with certain local banks amounting to P1.7 million and P57.5 million, respectively.

24.2 Financing Arrangements

The Company entered into an arrangement wherein the Company received cash from a third party specifically intended to purchase a land where its project in Candelaria, Quezon will be situated. The Company will repay the third party the initial capital contributed and will give the third party a certain share in the expected units to be sold on the project from 2019 until 2022.

The Company entered into another arrangement with a third party wherein the Company will be receiving cash in four tranches which will specifically be intended to finance the Company's project in San Pablo, Laguna. The Company will repay the third party the balance of the loan and an annual interest rate of 12% until June 2024.

The outstanding balance of these transactions as of December 31, 2021 and 2020 is presented as part of the Interest-bearing Loans account in the statements of financial position (see Note 13) while the related interest is presented as part of Finance Costs - net account in the statements of comprehensive income (see Note 21).

24.3 Others

There are commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the accompanying financial statements. As of December 31, 2021 and 2020, management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and liabilities by category are summarized in Note 26. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risk to which the Company is exposed to are described in the succeeding paragraphs.

25.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing, and financing activities.

(a) *Foreign Currency Risk*

There is no significant exposure to foreign currency risks since most of the Company's transactions are denominated in Philippine peso, which is its functional currency. The Company's sole financial liability transacted in foreign currency pertains to an interest-bearing loan wherein the risk of changes in foreign currency is shouldered by the financing entity as the loan is denominated in fixed Philippine peso amount. The fixed Philippine peso amount of the liability will be translated to its foreign currency equivalent at the date of settlement wherein any foreign exchange gain or loss will be shouldered by the financing entity. The Company has no financial assets denominated in foreign currency.

(b) *Interest Rate Risk*

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. As of December 31, 2021 and 2020, the Company is exposed to changes in market interest rates through its cash in banks, which are subject to variable interest rates (see Note 4). All other financial assets and financial liabilities of the Company have fixed rates.

25.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from granting credits to customers and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Cash	4	P 35,867,647	P 35,631,691
Trade and other receivables	5	174,704,311	124,098,604
Due from related parties	22	124,916,260	8,988,168
Rental deposits	7	11,815,000	633,500
Refundable deposits	7	<u>2,479,242</u>	<u>7,026,756</u>
		<u>P 349,782,460</u>	<u>P 176,378,719</u>

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash and trade and other receivables as described below and in the succeeding pages.

(a) *Cash in Bank*

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

Trade and other receivables are subject to credit risk. The Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics since its trade receivables consist of a large number of customers. Certain receivables from trade customers are covered by post-dated checks. The Company also retains the title of the real estate properties until receivables are fully collected. The Company has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking information specific to the buyers and the economic environment.

All trade and other receivables, except advances to officers and employees, are subject to credit risk exposure. However, the Company identified specific concentrations of credit risk regarding Trade and Other Receivables as all the amounts recognized consist of receivables from HDMF. Most receivables from trade customers are financed through HDMF. The titles of the real estate properties remain with the Company until the receivables are fully collected. The management assessed the ECL of these receivables as nil since these are collectible within a year from a well-funded debtor in addition to having the ownership over the title of the property until full collection

The Company considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. Furthermore, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The management determined that there is no required ECL to be recognized since the real estate sold is through financing (HDMF). Therefore, expected loss given default is nil as the repossession of house units are remote.

(c) *Due from Related Parties*

ECL for receivables from related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties. Management assessed that the outstanding receivables from related parties as of December 31, 2021 and 2020 are fully collectible due to the liquidity of the counterparties and the absence of historical defaults.

(d) *Rental Deposits*

The Company does not expect significant risk of collectability since refundable security deposit can be rolled forward every renewal of rental agreements.

(e) *Refundable Deposits*

The Company considers the risk of collectability of these deposits as insignificant since these were to be refunded by utilities company (i.e., electricity and water) as soon as projects units have been moved-into by buyers and billings can be made by utilities company to the residents.

25.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2021 and 2020, the Company's financial liabilities have contractual maturities, which are presented below.

	2021		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 112,188,488	P 114,151,142	P 153,488,646
Trade and other payables*	235,131,161	-	-
Due to co-joint operator	3,330,189	3,330,190	-
Due to a related party	48,530,304	48,530,303	-
Lease liabilities	<u>1,589,926</u>	<u>1,589,926</u>	<u>1,687,677</u>
	<u>P 400,770,068</u>	<u>P 167,601,561</u>	<u>P 155,176,323</u>

**excluding customers' deposits and statutory payables*

	2020		
	[As Restated – see Note 2.1(e)]		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 62,424,855	P 60,178,488	P 130,024,047
Trade and other payables*	187,566,318	-	-
Due to a related party	39,215,640	39,215,641	-
Lease liabilities	<u>1,666,860</u>	<u>1,666,860</u>	<u>4,876,529</u>
	<u>P 290,873,673</u>	<u>P 101,060,989</u>	<u>P 134,900,576</u>

**excluding customers' deposits and statutory payables*

The above contractual maturities reflect gross cash flows which may differ from the carrying values of the liabilities at the end of the reporting period.

26. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of financial assets and financial liabilities presented in the statements of financial position are shown below and in the succeeding page.

	Notes	2021		2020 [As Restated – see Note 2.1(e)]	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets					
Amortized cost:					
Cash	4	P 35,867,647	P 35,867,647	P 35,631,691	P 35,631,691
Trade and other receivables	5	174,704,311	174,704,311	124,098,604	124,098,604
Due from related parties	22	124,916,260	124,916,260	8,988,168	8,988,168
Rental deposits	7	11,815,000	11,815,000	633,500	633,500
Refundable deposits	7	2,479,242	2,479,242	7,026,756	7,026,756
		<u>P 349,782,460</u>	<u>P 349,782,460</u>	<u>P 176,378,719</u>	<u>P 176,378,719</u>
Financial liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	13	P 296,412,414	P 379,828,276	P 152,712,487	P 252,627,390
Trade and other payables*	12	235,131,161	235,131,161	187,566,318	187,566,318
Due to co-joint operator	22	6,660,378	6,660,378	-	-
Due to a related party	22	97,060,607	97,060,607	78,431,281	78,431,281
Lease liabilities	11	4,301,439	4,867,529	6,682,479	8,201,249
		<u>P 639,565,999</u>	<u>P 723,547,951</u>	<u>P 425,392,565</u>	<u>P 526,826,238</u>

*excluding customers' deposits and statutory payables

See Note 2.3 for description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 25.

27. FAIR VALUE MEASUREMENT AND DISCLOSURES

27.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, 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.

Management considers that due to the short duration of these financial assets (except long-term receivables) and financial liabilities measured at amortized cost, their carrying amounts as of December 31, 2021 and 2020 approximate their fair value. Except for cash, which is classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in 2021 and 2020.

27.2 Fair Value of Investment Properties Measured at Cost for which Fair Value is Disclosed

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Company's investment properties is their current use.

As at December 31, 2021 and 2020, the fair value of the Company's investment properties is classified in Level 3 of the fair value hierarchy. The Company determined the 2021 fair value of the investment property using market-based approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value. However, for 2020, the Company determined the fair value of the investment property using the replacement cost of similar properties on the same location and condition. Such investment property was recently purchased and it approximates the fair value of the property, considering its level of price volatility, market position and current economic conditions, that it would not significantly change from its original purchase cost within the past two years. The fair market value of the investment property as of December 31, 2021 and 2020 amounted to P5.9 million and P1.9 million, respectively.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2021 and 2020.

28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company’s capital management objectives are to ensure the Company’s ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. It monitors capital using debt-to-equity ratio. However, the Company is not subject to externally imposed capital requirements.

	<u>2021</u>	2020 [As Restated – see Note 2.1(e)]
Total liabilities	P 856,776,878	P 587,828,686
Total equity	<u>281,653,994</u>	<u>150,607,551</u>
Debt-to-equity ratio	<u>3.04 : 1.00</u>	<u>3.90 : 1.00</u>

29. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing Revenue Regulation (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) *Output VAT*

In 2021, the Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Taxable sales	P 34,113,048	P 4,093,566
Exempt sales	<u>855,532,086</u>	<u>-</u>
	<u>P 889,645,134</u>	<u>P 4,093,566</u>

The Company nets a portion of their revenue on the proportional share of their co-joint operator based on their joint arrangement; hence, these may not be the same as the amounts of reported revenues in the 2021 statement of comprehensive income.

The Company’s taxable real estate sales and VAT exempt real estate sales were determined pursuant to Section 106, *VAT on Sale of Goods or Properties*, and Section 109, *VAT Exempt Transactions*, of the 1997 National Internal Revenue Code, as amended by R.A. No. 10963, *Tax Reform for Acceleration and Inclusion*.

The Company’s exempt sales amounting to P855.5 million pertain to sales of residential house and lots that do not exceed P3,199,200 in accordance with RR No. 13-2018 dated March 15, 2018, as amended by RR No. 8-2021 dated June 11, 2021.

Pursuant to Section 4.109.-1 (B) (1) (p)(4) of Revenue Regulations No. 16-2005, as amended by Revenue Regulations No. 13-2018 to wit, “If two or more adjacent residential lots, house and lot or other residential dwellings are sold or disposed in favor of one buyer from the same seller for the purpose of utilizing the lots, house and lot or other residential dwellings as one residential area, the sale shall be exempt from VAT only if the aggregate value of the said properties do not exceed P1,500,000 for residential lots, and P2,500,000 for residential house and lots or other residential dwellings”.

Adjacent residential lots, house and lots or other residential dwellings although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling.

(b) *Input VAT*

Balance at beginning of year	P -
Goods for resale/manufacture or further processing	22,909,421
Services lodged under other account	8,185,051
Input VAT from Exempt sales	(30,031,388)
Applied against output VAT	(<u>1,063,084</u>)
Balance at end of year	<u><u>P -</u></u>

(c) *Taxes on Importation*

The Company does not have any importations in 2021.

(d) *Excise Tax*

The Company did not have any transactions in 2021 which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

In 2021, the Company incurred and paid DST amounting to P12.6 million related to transfer certificate of titles and bank loans availed.

(f) *Taxes and Licenses*

The details of the Taxes and Licenses account in 2021 are as follows:

DST	P 12,576,163
Municipal license and permits	5,734,734
Real estate tax	868,735
Transfer tax	<u>213,021</u>
	<u><u>P 19,392,653</u></u>

(g) *Withholding Taxes*

The details of total withholding taxes in 2021 are shown below.

Expanded	P 9,018,123
Compensation and benefits	<u>1,734,658</u>
	<u>P 10,752,781</u>

There were no transactions subject to final withholding tax during the year.

(h) *Deficiency Tax Assessment and Tax Cases*

In 2021, the Company paid deficiency taxes amounting to P1,500,981 and related interest amounting to P134,284 relating to documentary stamp tax, income tax and expanded withholding tax for the taxable year 2020. Basic deficiency taxes, including penalties, are presented as part of Penalties and surcharge as part of General and Administrative under Operating Expenses, while interest on deficiency taxes is presented as part of Finance Costs - net in the 2021 statement of comprehensive income.

As of December 31, 2021, the Company does not have any other final deficiency tax assessments from the BIR, nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange Commission
Filed Separately from the
Basic Financial Statements**

Punongbayan & Araullo

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**The Board of Directors
Ovialand Inc.
(A Subsidiary of 1802 SJ Holdings, Inc.)**
Unit 801, Richville Corporate Center
Madrigal Business Park
Muntinlupa City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Ovialand Inc. for the year ended December 31, 2021, on which we have rendered our report dated March 18, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 18, 2022

OVIALLAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
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B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
D	Long-term Debt	3
E	Indebtedness to Related Parties	4
F	Guarantees of Securities of Other Issuers	**
G	Capital Stock	5
Other Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	6
	Map Showing the Relationship Between the Company and its Related Parties	7

* *The Company does not prepare any consolidated financial statements*

** *The Company does not have guarantees of securities of other issuers*

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)

Schedule A

Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income
and Amortized Cost

DECEMBER 31, 2021

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds or Notes	Amount Shown in the Statement Financial Position as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
--	--	---	---	-----------------------------------

Fair Value through Profit of Loss (FVTPL)

	N/A	N/A	N/A	N/A
--	-----	-----	-----	-----

Fair Value through Other Comprehensive Income (FVTOCI)

	N/A	N/A	N/A	N/A
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Financial Assets at Amortized Cost

Cash and cash equivalents		P 35,867,647	P 35,867,647	P 24,599
Trade and other receivables - net		174,704,311	174,704,311	600,757
Due from related parties		124,916,260	124,916,260	-
Rental deposits		11,815,000	11,815,000	-
Refundable deposits		2,479,242	2,479,242	-
				-
TOTAL		P 349,782,460	P 349,782,460	P 625,356

OVIALAND INC.
(A Subsidiary of 1802 ST Holdings, Inc.)
 Schedule B
 Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)
 DECEMBER 31, 2021

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Advances to officers and employees	P 18,338,576	P 346,615,872	P 322,278,571	-	P 42,675,877	N/A	P 42,675,877

Note:

The total amount of receivables presented in this schedule pertains to the advances made to employees, which are used for official business purposes. The total amount is included as part of Advances to officers and employees under Trade and Other Receivables account in the statements of financial position.

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
Schedule D
Long-Term Debt
DECEMBER 31, 2021

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-Term Debt" in Related Statement of Financial Position
Bank loans	P 168,815,679	P 79,456,588	P 89,359,091
Financing arrangement	127,596,734	77,596,734	50,000,000
Lease liabilities	4,301,439	2,884,146	1,417,293
Total	P 300,713,852	P 159,937,468	P 140,776,384

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
Schedule E
Indebtedness to Related Parties
DECEMBER 31, 2021

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
1802 SJ Holdings, Inc.	P 76,508,920	P 97,060,607
Ecoverde Homes Corporation	1,922,361	-

Supplementary information on Indebtedness to Related Parties

The total amount is presented as Due to a Related Party in the 2021 statement of financial position.

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
 Schedule G
 Capital Stock
 DECEMBER 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption (1)	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common Stocks - P1,000 par value	400,000	82,500	-	70,000	12,500	-
Preferred stock - P1,000 par value	100,000	-	-	-	-	-

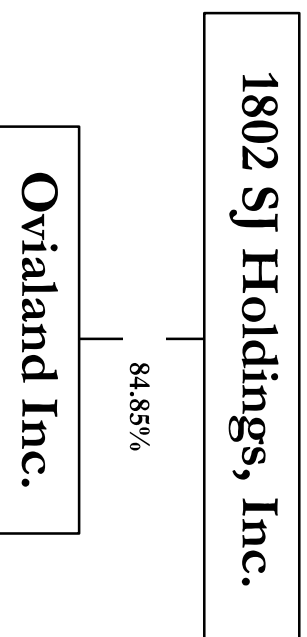
OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
Reconciliation of Retained Earnings Available for Dividend Declaration
DECEMBER 31, 2021

Unappropriated Retained Earnings of the Company at Beginning of Year	
As previously reported	P 73,404,930
Effect of prior period adjustments	(<u>4,540,447</u>)
As restated	68,864,483
Prior Periods' Outstanding Reconciling Item	
Deferred tax income	(<u>22,531</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	68,841,952
Net Profit of the Company Realized During the Year	
Net Profit per audited financial statements	165,460,216
Non-actual/unrealized income	
Deferred tax income from deferred tax assets recognized in the profit or loss during the year	(42,770)
Other Transaction During the Year	
Cash dividend declaration	(<u>35,338,144</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	<u>P 198,921,254</u>

Supplementary Information on Retained Earnings –

As at December 31, 2021, the balance of the Company's retained earnings exceeded its paid-in capital. In relation to this, the Company's BOD declared dividends in March 2022 amounting to P118.8 million to stockholders of record as of December 31, 2021.

OVIALAND INC.
(A Subsidiary of 1802 SJ Holdings, Inc.)
Map Showing the Relationship Between the Company and its Related Parties
DECEMBER 31, 2021



Ratio	Formula	2021	Formula	2020
Return on assets	Net Profit divided by Total Assets Net Profit 174,422,615 <u>Divide by: Average Assets 905,446,103</u> Return on assets 0.19	0.18	Net Profit divided by Total Assets Net Profit 77,276,579 <u>Divide by: Average Assets 568,913,205</u> Return on assets 0.14	0.14
Net profit margin	Net Profit divided by Total Revenue Net Profit 174,422,615 <u>Divide by: Total Revenue 833,104,272</u> Net profit margin 0.21	0.21	Net Profit divided by Total Revenue Net Profit 77,276,579 <u>Divide by: Total Revenue 435,101,313</u> Net profit margin 0.18	0.18