C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	5	0	1	2	5	6	1

C O M P A N Y   N A M E

LFM PROPERTIES CORPORATION (A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

3rd Floor, Liberty Building, A. Arnaiz Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
lfm_properties@pldtdsl.net	893-7790/893-772	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	June 16	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Sergio G. Locsin Jr.	sglsmiley@yahoo.com	(02) 893-7790	–

CONTACT PERSON's ADDRESS

3rd Floor Liberty Building, 835 A. Arnaiz Avenue, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LFM Properties Corporation (a wholly owned subsidiary of Liberty Flour Mills, 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 present fairly, 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 (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of LFM Properties Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

February 28, 2022

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 4)	**₱46,758,816**	₱39,672,440
Receivables (Note 5)	**5,427,848**	21,552,027
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**180,448,991**	81,937,073
Accrued rent - current portion (Note 13)	**1,202,767**	4,646,857
Prepaid expenses and other current assets (Notes 7 and 9)	**5,934,271**	1,329,684
Total Current Assets	**239,772,693**	149,138,081
Noncurrent Assets		
Investment properties (Notes 9 and 12)	**856,158,160**	706,673,730
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	**156,718,845**	190,070,911
Accrued rent - net of current portion (Note 13)	**77,404,488**	54,399,114
Property and equipment (Note 10)	**2,112,061**	450,733
Net retirement plan asset (Note 18)	**13,076,486**	5,256,513
Other noncurrent assets (Notes 7, 9 and 10)	**22,574,088**	3,203,840
Total Noncurrent Assets	**1,128,044,128**	960,054,841
TOTAL ASSETS	**₱1,367,816,821**	₱1,109,192,922
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 11)	**₱136,655,732**	₱580,000,000
Accounts payable and other current liabilities (Notes 9 and 12)	**35,159,581**	13,467,997
Current portion:		
Deposits on long-term leases (Note 13)	**12,725,979**	10,377,345
Unearned rental income (Note 13)	**4,654,473**	4,817,905
Income tax payable	**1,163,501**	1,212,931
Total Current Liabilities	**190,359,266**	609,876,178
Noncurrent Liabilities		
Notes payable – net of current portion (Note 11)	**443,800,782**	–
Payable to a related party (Notes 9 and 20)	**37,730,000**	89,730,000
Deposits on long-term leases - net of current portion (Note 13)	**18,603,788**	19,974,491
Unearned rental income - net of current portion (Note 13)	**8,355,115**	9,777,271
Deferred tax liabilities - net (Note 19)	**21,913,988**	18,377,308
Other noncurrent liability (Notes 9 and 12)	**162,176,225**	–
Total Noncurrent Liabilities	**692,579,898**	137,859,070
Total Liabilities	**882,939,164**	747,735,248
Equity		
Capital stock (Note 14)	**250,000,000**	250,000,000
Other components of equity:		
Fair value changes on financial assets at FVOCI (Note 8)	**(97,456,170)**	(64,104,104)
Accumulated remeasurement gains on defined benefit plan (Note 18)	**13,571,525**	6,728,522
Retained earnings	**318,762,302**	168,833,256
Total Equity	**484,877,657**	361,457,674
TOTAL LIABILITIES AND EQUITY	**₱1,367,816,821**	₱1,109,192,922

See accompanying Notes to Financial Statements.

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020 (As restated - Note 2)
RENTAL INCOME (Notes 9 and 13)	**₱223,737,958**	₱229,942,526
DIRECT COSTS (Notes 9 and 15)	**77,700,259**	106,157,570
GROSS PROFIT	**146,037,699**	123,784,956
OPERATING EXPENSES (Notes 10, 16, 17, 18 and 20)	**25,914,768**	27,112,926
INCOME BEFORE OTHER INCOME (CHARGES) AND INCOME TAX	**120,122,931**	96,672,030
OTHER INCOME (CHARGES)		
Interest expense (Notes 11 and 13)	**(30,684,544)**	(34,748,725)
Fair value changes of financial assets at fair value through profit or loss (Note 6)	**82,498,404**	56,973,047
Dividend income (Note 6)	**1,103,406**	601,500
Interest income (Notes 4 and 5)	**77,949**	264,137
Gain on sale of financial assets at FVTPL (Note 6)	**–**	100,685
Other income (expense) (Note 11)	**(4,581,278)**	434,599
	48,413,937	23,625,243
INCOME BEFORE INCOME TAX	**168,536,868**	120,297,273
PROVISION FOR INCOME TAX (Note 19)		
Current	**16,711,331**	14,472,788
Deferred	**1,896,491**	8,380,870
	18,607,822	22,853,658
NET INCOME	**149,929,046**	97,443,615
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Net fair value changes on financial assets at FVOCI (Note 8)	**(33,352,066)**	6,724,207
Remeasurement gain on defined benefit plans (Note 18)	**8,483,192**	12,017,933
Income tax effect	**(1,640,189)**	(3,605,380)
	(26,509,063)	15,136,760
TOTAL COMPREHENSIVE INCOME	**₱123,419,983**	₱112,580,375
BASIC/DILUTED EARNINGS PER SHARE (Note 14)	**₱0.0060**	₱0.0039

See accompanying Notes to Financial Statements.

LFM PROPERTIES CORPORATION

(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		Other Components of Equity			
	Capital Stock (Note 14)	Fair Value Changes on Financial assets at FVOCI (Note 8)	Accumulated Remeasurement Gains (Losses) on Defined Benefit Plan (Note 18)	Retained Earnings	Total
Balances at January 1, 2021	**₱250,000,000**	**(₱64,104,104)**	**₱6,728,522**	**₱168,833,256**	**₱361,457,674**
Net income	**–**	**–**	**–**	**149,929,046**	**149,929,046**
Other comprehensive income (loss)	**–**	**(33,352,066)**	**6,843,003**	**–**	**(26,509,063)**
Balances at December 31, 2021	**₱250,000,000**	**(₱97,456,170)**	**₱13,571,525**	**₱318,762,302**	**₱484,877,657**
Balances at January 1, 2020	₱250,000,000	(₱70,828,311)	(₱1,684,031)	₱71,389,641	₱248,877,299
Net income	–	–	–	97,443,615	97,443,615
Other comprehensive income	–	6,724,207	8,412,553	–	15,136,760
Balances at December 31, 2020	₱250,000,000	(₱64,104,104)	₱6,728,522	₱168,833,256	₱361,457,674

See accompanying Notes to Financial Statements.

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱168,536,868**	₱120,297,273
Adjustments to reconcile income before income tax to net cash flows:		
Fair value changes of financial assets at fair value through profit or loss (Note 6)	**(82,498,404)**	(56,973,047)
Depreciation and amortization (Notes 9 and 10)	**43,068,510**	42,965,106
Interest expense (Notes 11 and 13)	**30,684,544**	34,748,725
Loss on loan modification (Note 11)	**4,981,822**	–
Dividend income (Note 6)	**(1,103,406)**	(601,500)
Movement in net retirement plan asset (Note 19)	**663,219**	999,467
Interest income (Notes 4 and 5)	**(77,949)**	(264,137)
Gain on sale of financial assets at FVTPL (Note 6)	**–**	(100,685)
Working capital changes:		
Decrease (increase) in:		
Receivables	**16,124,179**	(5,282,241)
Accrued rent	**(19,561,284)**	(29,620,084)
Prepaid expenses and other current assets	**(2,398,764)**	20,887,056
Increase (decrease) in:		
Accounts payable and other current liabilities	**(642,462)**	4,073,360
Deposits on long-term leases	**(492,032)**	(826,942)
Unearned rental income	**(1,585,588)**	(1,120,387)
Net cash flows generated from operations	**155,699,253**	129,181,964
Income tax paid	**(16,760,761)**	(13,259,857)
Interest received	**77,949**	264,137
Net cash provided by operating activities	**139,016,441**	116,186,244
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties (Notes 9 and 23)	**(31,555,521)**	(10,901,430)
Property and equipment (Note 10)	**(2,152,176)**	(207,227)
Purchase of financial assets at fair value through profit or loss (Note 6)	**(16,013,514)**	(6,947,589)
Dividends received (Note 6)	**1,103,406**	601,500
Decrease (increase) in other noncurrent assets	**272,768**	(172,768)
Proceeds from sale of financial assets at fair value through profit or loss (Note 6)	**–**	8,275,685
Net cash used in investing activities	**(48,345,037)**	(9,351,829)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Payable to a related party (Note 9)	**(52,000,000)**	–
Interest paid (Note 11)	**(27,235,028)**	(34,215,967)
Debt issue cost (Note 11)	**(4,350,000)**	–
Loan payments (Note 11)	**–**	(52,900,000)
Cash used in financing activities	**(83,585,028)**	(87,115,967)
NET INCREASE IN CASH	**7,086,376**	19,718,448
CASH AT BEGINNING OF YEAR	**39,672,440**	19,953,992
CASH AT END OF YEAR (Note 4)	**₱46,758,816**	₱39,672,440

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

LFM Properties Corporation (the Company) is a wholly owned subsidiary of Liberty Flour Mills, Inc. (LFMI), a corporation duly organized and existing under the laws of the Republic of the Philippines. The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 18, 1995. The Company is engaged in the business of leasing out real estate properties such as office spaces and condominium units. The Company's registered office address is 3rd Floor, Liberty Building, A. Arnaiz Avenue, Makati City.

On November 25, 2020, the Board of Directors (BOD) of LFMI approved the declaration of property dividends consisting of up to 10.35 billion shares of the Company. As at February 28, 2022, LFMI is in the process of completing the requirements for the application for SEC's approval of the property dividend distribution.

The accompanying financial statements were authorized and approved for issue by the Company's BOD on February 28, 2022.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation
The financial statements of the Company are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The financial statements are presented in Philippine peso (peso), which is the Company's functional and presentation currency, and rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Adoption of Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

  SEC Memorandum Circular 3 Series of 2019 provides for the deferral of the application of Accounting for Common Usage Service Area (CUSA) discussed in PIC Q&A No. 2018-12-H for a period of 3 years starting from January 1, 2018 to December 31, 2020 for a period of 3 years starting from January 1, 2018 to December 31, 2020.

The Company adopted the PIC Q&A effective January 1, 2021. The impact of adoption is applied retrospectively which resulted to the change in presentation for the year ended December 31, 2020 as follows:

	December 31, 2020, as previously reported	Adjustment	December 31, 2020, as restated
Direct Costs	₱16,632,731	(₱15,684,365)	₱948,366
Other income (charges)	15,684,365	(15,684,365)	–

There is no impact on net income, opening retained earnings, cash flow and the related statement of financial position accounts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Company adopted the amendments beginning January 1, 2021. The amendments did not have an impact to the Company's financial statements as the Company was not granted rent concessions as a lessee. The amendments do not have an impact for leases where the Company is the lessor.

- Amendments to PFRS 9, PFRS 7, PFRS 4, and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

- Annual Improvements to PFRSs 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

<u>Current versus noncurrent classification</u>
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when:

- It is expected to be realized or intended to sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting date; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

The Company measures financial instruments, such as financial assets at FVTPL and financial assets at FVOCI, at fair value at the end of reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as quoted financial assets at FVOCI, and for non-recurring measurement.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

“Day 1” Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statement of comprehensive income, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets
Initial Recognition and Measurement. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortized cost (debt instruments).* This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

  The Company's cash and receivables are included in this category as at December 31, 2021 and 2020.

- *Financial assets at fair value through other comprehensive income (FVOCI) (debt instruments).* The Company measures debt instruments at FVOCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI) in the statement of comprehensive income. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

  The Company has no debt instruments at FVOCI as at December 31, 2021 and 2020.

- *Financial assets designated at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

  The Company's quoted investment is classified as equity instrument designated at FVOCI as at December 31, 2021 and 2020.

- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss in the statement of comprehensive income.

  This category includes listed and non-listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss in the statement of comprehensive income when the right of payment has been established.

  A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in statement of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

  A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

  The Company has no derivative asset as at December 31, 2021 and 2020.

Impairment of financial assets. The Company recognizes an Expected Credit Loss (ECL) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on ether 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist only of loans and borrowings. As at December 31, 2021 and 2020, the Company's loans and borrowings consisting of notes payable, accounts payable and other current liabilities, deposits on long-term leases, payable to a related party and other noncurrent liability . The Company has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding embedded derivatives as at December 31, 2021 and 2020.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium or acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in profit or loss.

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The contractual right to receive cash flows from the financial asset has expired; or
- The Company retains the right to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risk and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Exchange or Modification of Financial Liabilities
The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the interim statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash

Cash includes cash on hand and in banks.

Value-added Tax (VAT)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of "Prepaid expenses and other current assets" and "Accounts payable and other current liabilities" accounts, respectively, in the statement of financial position.

Investment Properties

Investment properties consist of properties (land or a building or part of a building or a combination) held to earn rentals or for capital appreciation or both, rather than for:

a. use in the production or supply of goods or services or for administrative purposes; or
b. sale in the ordinary course of business.

The initial cost of investment property comprises its contract price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such investment property if the recognition criteria are met.

These assets, except for land, are stated at cost, including transaction costs, less accumulated depreciation and any accumulated impairment in value. Land is carried at cost (initial purchase price and other cost directly attributable to such property) less any accumulated impairment in value.

Depreciation of building and building equipment and condominium units is computed on a straight-line basis over the estimated lives of the properties ranging from 10 to 25 years and five years, respectively.

Investment properties are derecognized either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties in progress pertain to projects under construction and are stated at cost which includes cost of construction and other direct costs. Investment properties in progress are not depreciated until such time that the relevant assets are completed and become available for operational use.

Property and Equipment

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of two to three years for office furniture and equipment and three to five years for transportation equipment. Amortization of leasehold improvements is computed using the straight-line method based on the estimated useful life of the leased asset or the term of the lease, whichever is shorter.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Fully-depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets
At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.

Impairment losses are recognized in the statement of comprehensive income in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Retained earnings represent the Company's accumulated earnings reduced by dividends declared.

Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized as part of profit or loss for the year in the statement of comprehensive income as required or permitted by other PFRSs.

Basic/Diluted Earnings per Share
Basic earnings per share are computed by dividing net income for the year by the weighted average number of common shares, excluding treasury stock, outstanding during the period.

Diluted earnings per share is calculated by dividing the income for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The Company has no dilutive shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. Revenue is recognized when the Company satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Company's contracts with customers consist of only one performance obligation which is satisfied over time (straight-line basis over the lease terms). The Company has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Rental income. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset in the statement of financial position under the "Accrued rent" account. Rentals collected but not yet earned are recognized as a liability in the statements of financial position under the "Unearned rental income" account. Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognized on a straight-line basis over the lease term.

Interest income. Interest income is recognized as the interest accrues using the effective interest method.

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

Direct Costs and Operating Expenses
Direct costs. Direct costs include expenses incurred by the Company for the generation of revenue from rental income. Direct costs are expensed as incurred.

Operating expenses. Operating expenses include the cost of administering the business and are not directly associated with the generation of revenue. Operating expenses are expensed as incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Retirement Benefits Cost
The Company has a funded, noncontributory defined benefit plan covering all regular and permanent employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a. service cost
b. net interest on the net defined benefit liability or asset
c. remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

<u>Taxes</u>
Current Tax. Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities, and the deferred tax assets relate to the same taxable entity and the same tax authority.

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Segment Reporting
A segment is a distinguishable component of the Company that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments. Such business segment is the basis upon which the Company reports its operating segment information. The Company has only one source of revenue arising from its rental contracts and it operates in one geographical area where it derives its revenue. The Company did not present segment information in its financial statements as the Company has only one reportable segment.

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements requires management to make judgments and estimates that affect the application of policies and amounts reported in the financial statements.

In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly when the effects become determinable.

Judgments

Classification of lease - Company as lessor. The Company entered into various commercial property leases on its parcels of land and buildings. The Company has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the lease agreements were accounted for as operating leases (see Note 13).

Estimates

Estimation of useful lives of investment properties. The Company reviews at each reporting date the estimated useful lives of investment properties based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties as at December 31, 2021 and 2020.

The carrying value of investment properties, excluding land, amounted to ₱554,757,367 and ₱597,235,930 as at December 31, 2021 and 2020, respectively (see Note 9).

Impairment of investment properties. The Company determines whether there are indications of impairment of the Company's investment properties. Indications of impairment include significant change in usage, decline in the asset's fair value or underperformance relative to expected historical or projected future results.

Determining the fair value of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

The Company has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As at December 31, 2021 and 2020, no other impairment indicators were identified for the Company's investment properties.

The aggregate carrying value of these assets amounted to ₱856,158,160 and ₱706,673,730 as at December 31, 2021 and 2020, respectively (see Note 9).

Estimation of retirement benefits cost. The determination of the Company's retirement benefits costs and obligation is dependent on the selection by management of certain assumptions used by an actuary in calculating such amounts.

The assumptions for retirement benefits cost are described in Note 19 and include the discount rate and the average annual salary increase rate. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's retirement benefits cost and obligations.

The discount rate is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Net retirement plan asset amounted to ₱13,076,486 and ₱5,256,513 as at December 31, 2021 and 2020, respectively (see Note 18).

Recognition of deferred tax assets. The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. While future taxable profit can be estimated, the actual outcome may be different. Deferred tax assets recognized amounted to ₱1,006,947 and ₱913,437 as at December 31, 2021 and 2020, respectively (see Note 19).

The Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱40,600,000 as at December 31, 2021 and 2020 as management believes that that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset (see Note 19).

4. Cash

	2021	2020
Cash on hand	**₱13,500**	₱13,500
Cash in banks	**46,745,316**	39,658,940
	₱46,758,816	₱39,672,440

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱33,098 and ₱45,389 in 2021 and 2020, respectively.

5. Receivables

	2021	2020
Rent receivable (see Note 13)	**₱6,361,415**	₱7,981,943
Advances to officers and employees (see Note 20)	**116,114**	63,633
Receivables from broker	**–**	13,506,451
	6,477,529	21,552,027
Less allowance for expected credit losses	**1,049,681**	–
	₱5,427,848	₱21,552,027

Rent receivable arises from leasing the Company's investment properties. These are interest-bearing with average credit term of 30 days. Interest income earned amounted to ₱44,851 and ₱39,050 in 2021 and 2020, respectively.

Advances to officers and employees are noninterest-bearing and are normally settled through salary deductions within one month from availment date.

Receivables from broker represent the Company's deposit to its agent of marketable securities, including unremitted proceeds from disposal of investments, which are liquidated through acquisition of additional investments for the Company. The outstanding receivable from broker as at December 31, 2020 has been subsequently liquidated in January 2021. Interest income earned amounted to ₱179,698 in 2020 (nil in 2021).

Provision for expected credit losses on rent receivable amounted to ₱1,049,681 in 2021 (nil in 2020) (see Note 16).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL pertain to quoted equity securities held for trading purposes and are composed of the following:

	2021	2020
Balance at beginning of year	**₱81,937,073**	₱26,191,437
Acquisitions	**16,013,514**	6,947,589
Fair value gain recognized in profit or loss	**82,498,404**	56,973,047
Disposals	**–**	(8,175,000)
	₱180,448,991	₱81,937,073

Financial assets at FVTPL includes equity securities with cost and carrying value amounting to ₱40,600,000 and nil, respectively, as at December 31, 2021 and 2020.

Realized gain on sale of financial assets at FVTPL amounted to ₱100,685 in 2020 (nil in 2021).

Dividend income earned from financial assets at FVTPL amounted to ₱1,103,406 and ₱601,500 in 2021 and 2020, respectively.

7. Prepaid Expenses and Other Current Assets

	2021	2020
Deferred input VAT (see Note 9)	**₱22,078,890**	₱–
Input VAT - net	**2,621,820**	–
Prepaid expenses	**975,676**	1,329,684
	25,676,386	1,329,684
Less: noncurrent portion of deferred input VAT	**19,742,115**	–
	₱5,934,271	₱1,329,684

Prepaid expenses mainly include prepaid insurance.

8. Financial Assets at Fair Value through Other Comprehensive Income

The Company’s financial assets at FVOCI consist of quoted equity securities amounting to ₱156,718,845 and ₱190,070,911 as at December 31, 2021 and 2020, respectively.

Fair value change on financial assets at FVOCI as at December 31, 2021 and 2020 follows:

	2021	2020
Beginning balance	**(₱64,104,104)**	(₱70,828,311)
Fair value gain (loss) recognized in other comprehensive income (loss)	**(33,352,066)**	6,724,207
Ending balance	**(₱97,456,170)**	(₱64,104,104)

9. Investment Properties

	December 31, 2021			
	Land	**Building and Building Improvements**	**Condominium Units**	**Total**
Costs:				
Beginning balances	**₱109,437,800**	**₱933,335,345**	**₱11,419,656**	**₱1,054,192,801**
Additions	**191,962,993**	**–**	**–**	**191,962,993**
Ending balances	**301,400,793**	**933,335,345**	**11,419,656**	**1,246,155,794**
Accumulated depreciation and amortization:				
Beginning balances	**–**	**336,965,122**	**10,553,949**	**347,519,071**
Depreciation and amortization (see Note 15)	**–**	**42,401,509**	**77,054**	**42,478,563**
Ending balances	**–**	**379,366,631**	**10,631,003**	**389,997,634**
Net book values	**₱301,400,793**	**₱553,968,714**	**₱788,653**	**₱856,158,160**

	December 31, 2020			
	Land	Building and Building Improvements	Condominium Units	Total
Costs:				
Beginning balances	₱9,737,800	₱932,607,487	₱11,216,084	₱953,561,371
Additions	99,700,000	727,858	203,572	100,631,430
Ending balances	109,437,800	933,335,345	11,419,656	1,054,192,801
Accumulated depreciation and amortization:				
Beginning balances	–	294,566,888	10,476,895	305,043,783
Depreciation and amortization (see Note 15)	–	42,398,234	77,054	42,475,288
Ending balances	–	336,965,122	10,553,949	347,519,071
Net book values	₱109,437,800	₱596,370,223	₱865,707	₱706,673,730

The Company leases out spaces in its building and condominium units under various operating leases (see Note 13).

Rental income from investment properties recognized in the statements of comprehensive income amounted to ₱223,737,958 and ₱229,942,526 in 2021 and 2020, respectively, while directly related costs amounted to ₱77,700,259 and ₱106,157,570 in 2021 and 2020, respectively (Notes 13 and 15).

The aggregate fair value of investment properties amounted to ₱3,741,675,179 and ₱3,527,220,179 as at December 31, 2021 and 2020, respectively, determined based on valuation performed by a qualified and independent appraiser in 2020 and prevailing market value of recently acquired property. The valuation undertaken considered the highest and best use of the properties and established estimated value by processes involving comparison (Level 3). Management has determined that the fair value of investment properties did not significantly change from the last valuation date.

The following describes the valuation techniques used and key inputs to valuation of investment properties as at December 31, 2021 and 2020:

	Valuation technique	Significant unobservable input
Land, condominium units and buildings and building improvements, and building equipment	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business opportunity and capital
Land	Market Data	Adjusted sales price of Comparable properties

Significant increases (decreases) in estimated future cash flows above would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value of the properties.

The investment properties pertain to assets held by the Company for residential, commercial and parking space. The appraisers determined that the highest and best use of condominium unit is for residential use which is its current use. The highest and best use of land used as parking space at measurement date would be for multi-storey residential/office condominium development, while the highest and best use of buildings, including the improvements and equipment, used as commercial space at measurement date, would be to convert the properties for residential use. For strategic reasons, the properties are not being used in this manner.

Land and building and building improvements owned by the Company with an aggregate carrying value of ₱57,604,225 and ₱71,567,064 as at December 31, 2021 and 2020, respectively, served as collateral to secure the loans obtained from banks (see Note 11).

Developmental Rights

The Company entered into an agreement with Parity Values, Inc. (PVI), a related party, for the transfer of developmental rights of PVI to the Company for valuable consideration which is to be determined and fixed by the parties through the execution of a supplemental agreement.

In December 2020, the parties executed an agreement for the determination of the consideration amounting to ₱99,700,000. The initial payment amounting to ₱9,970,000 was paid on the date of execution of the agreement while the remaining balance in the amount of ₱89,730,000, subject to 5.25% interest, shall be paid through a single payment or partial payments, as the Company may deem necessary, within a period of 5 years, from the execution of the agreement and no later than December 14, 2025. Accordingly, the Company recognized an asset as part of land under "Investment properties" account amounting to ₱99,700,000 and a liability presented as "Payable to a related party" amounting to ₱37,730,000 and ₱89,730,000 as at December 31, 2021 and 2020, respectively (see Note 20).

Land Acquisition

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Payments made in 2021 amounted to ₱31,555,521 (exclusive of VAT). As at December 31, 2021, the corresponding unpaid purchase price, net of VAT, were recorded at present value using the discount rate of 4.25% amounting to ₱160,407,472. Current and noncurrent portion of the liability amounting to ₱20,179,183 and ₱162,176,225, respectively, inclusive of VAT, are presented as part of Accounts payable" under "Accounts payable and other current liabilities" and "Other noncurrent liability" accounts, respectively, in the 2021 statement of financial position (see Note 12). Total discount of liability amounted to ₱22,492,008. Future accretion of interest expense will be capitalized as part of investment property.

The related deferred input VAT amounting to ₱19,742,115, net of current portion of ₱2,205,823 as at December 31, 2021, is recognized as part of "Other noncurrent assets" account in the statements of financial position (see Note 7). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

Schedule of payments of the remaining payable based on undiscounted amounts (exclusive of VAT) is as follows:

Year	Amount
2022	₱18,381,857
2023	18,381,857
2024	26,219,677
2025	65,408,775
2026	54,507,313
	₱182,899,479

10. **Property and Equipment**

	December 31, 2021			
	Office Furniture and Equipment	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Costs:				
Beginning balances	**₱3,084,995**	**₱200,000**	**₱839,842**	**₱4,124,837**
Additions	**2,152,176**	**–**	**–**	**2,152,176**
Ending balances	**5,237,171**	**200,000**	**839,842**	**6,277,013**
Accumulated depreciationand amortization:				
Beginning balances	**2,634,262**	**200,000**	**839,842**	**3,674,104**
Depreciation and amortization (Note 16)	**490,848**	**–**	**–**	**490,848**
Ending balances	**3,125,110**	**200,000**	**839,842**	**4,164,952**
Net book values	**₱2,112,061**	**₱–**	**₱–**	**₱2,112,061**

	December 31, 2020			
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Costs:				
Beginning balances	₱2,877,768	₱200,000	₱839,842	₱3,917,610
Additions	207,227	–	–	207,227
Ending balances	3,084,995	200,000	839,842	4,124,837
Accumulated depreciation and amortization:				
Beginning balances	2,395,971	200,000	839,842	3,435,813
Depreciation and amortization	238,291	–	–	238,291
Ending balances	2,634,262	200,000	839,842	3,674,104
Net book values	₱450,733	₱–	₱–	₱450,733

Included under "Other noncurrent assets" are computer software with net book value of ₱99,099 in 2020 (nil in 2021). Amortization of computer software amounted to ₱99,099 and ₱251,527 in 2021 and 2020, respectively (see Note 16).

11. **Notes Payable**

Notes payable consists of:

	2021	2020
Principal	**₱580,000,000**	₱580,000,000
Add: unamortized premium, net of debt issue cost	**456,514**	–
	580,456,514	580,000,000
Less current portion	**136,655,732**	580,000,000
Noncurrent portion	**₱443,800,782**	₱–

On various dates during 2020, the Company rolled over certain short-term notes (with interests ranging from 5.00% to 6.125%) and paid notes amounting to ₱52,900,000.

On February 18, 2021, the Company converted its ₱580,000,000 short-term promissory note to term loans with maturity of 5 years, payable in equal quarterly installments starting on February 19, 2022.

All loans are secured by a real estate mortgage on certain land and building and building improvements owned by the Company (see Note 9).

The details of the term loans follow:

Term Loan	Availment Date	Maturity Date	Interest rate	Condition	Amount
1	February 19, 2021	February 19, 2026	4.25% per annum fixed for 89 days, variable onwards; quarterly	Secured	₱290,000,000
2	February 19, 2021	February 19, 2026	4.875% per annum, fixed up to maturity; quarterly	Secured	290,000,000

Term Loan promissory note (PN) 1 is subject to a variable interest rate based on a three (3)-month BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.25% per annum, whichever is higher.

Term Loan PN 2 is subject to a fixed interest rate based on a five (5)-year BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.875% per annum, whichever is higher.

The Company paid and capitalized documentary stamp tax amounting to ₱4,350,000 as debt issue cost to be amortized over the term of the notes payable.

Based on the Company's assessment, the modifications in the contractual cash flows of the loan are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Accordingly, the Company recognized a loss on loan modification amounting to ₱4,981,822 under "Other income (expense)" account in the 2021 statement of comprehensive income.

The 2021 term loan agreement contains, among others, covenants that require the Company to comply with specified financial ratios such as current ratio, debt to equity ratio and debt service coverage ratio. As at December 31, 2021, the Company has complied with these covenants.

The future expected principal settlements of the Company's notes payable follow:

	2021	2020
Within one year	**₱136,470,588**	₱580,000,000
Beyond one year but less than five years	**443,529,412**	–
	₱580,000,000	₱580,000,000

Total interest expense on notes payable charged to statements of comprehensive income amounted to ₱29,214,581 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱175,308) and ₱33,247,765 in 2021 and 2020, respectively.

12. Accounts Payable and Other Current Liabilities

	2021	2020
Accounts payable (see Note 9)	**₱24,004,676**	₱3,291,415
Construction bond	**6,432,077**	3,740,497
Accrued expenses:		
Interest payable	**3,045,000**	890,139
Professional fees	**450,000**	4,050,000
Others	**780,581**	232,197
Withholding taxes payable	**393,952**	483,452
Output VAT – net	–	675,129
Due to a related party (see Note 20)	**53,295**	105,168
	₱35,159,581	₱13,467,997

Accounts payable, accrued expenses and other current liabilities are noninterest-bearing and are normally settled within the next financial year. Accounts payable includes the current portion of the unpaid purchase price of the land acquired in 2021 (see Note 9).

Construction bond represents deposit required from the tenants prior to the commencement of renovation works for respective leased property. These are refundable once the renovation has been completed normally within one year.

13. Leases

The Company entered into various non-cancellable lease contracts on its investment properties with various lessees.

The lease contracts provide for the payment by the lessee of a security deposit. These are shown under "Deposits on long-term leases" account in the statements of financial position and are recorded at their present values which amounted to ₱31,329,767 and ₱30,351,836 as at December 31, 2021 and 2020, respectively. Accretion of interest, included in "Interest expense" in the statements of comprehensive income, amounted to ₱1,469,963 and ₱1,500,960 in 2021 and 2020, respectively.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and are amortized on a straight-line basis over the lease term, amounted to ₱13,009,588 and ₱14,595,176 as at December 31, 2021 and 2020, respectively.

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱78,607,255 and ₱59,045,971 as at December 31, 2021 and 2020, respectively.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2021 and 2020. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱5,476,437 and ₱4,091,752 in 2021 and 2020, respectively. Lease termination resulted in a decrease in accrued rent amounting to ₱2,930,778 and ₱290,453 in 2021 and 2020, respectively, and rental income amounting to ₱2,383,241 and ₱965,400 in 2021 and 2020, respectively.

The future minimum lease receivables under non-cancellable leases on its investment properties are as follows:

	2021	2020
Year 1	**₱158,319,743**	₱171,195,576
Year 2	**144,388,794**	130,038,723
Year 3	**141,520,108**	127,377,436
Year 4	**143,705,533**	129,167,094
Year 5	**147,580,396**	132,718,353
More than 5 years	**379,604,597**	521,443,148
	₱1,115,119,171	₱1,211,940,330

14. **Equity**

Capital Stock

As at December 31, 2021 and 2020, the Company's capital stock consists of:

	Number of Shares	Amount
Authorized:		
Common stock - ₱0.01 par value	30,000,000,000	₱300,000,000
Preferred stock - ₱100 par value	1,000,000	100,000,000
	30,001,000,000	₱400,000,000

	Number of Shares	Amount
Issued and outstanding -		
Common stock - ₱0.01 par value	25,000,000,000	₱250,000,000

The preferred stock are non-voting and non-convertible to common stock. Other features of the preferred stock shall be at the discretion of the Company's BOD at the time of such issuance.

Basic/Diluted Earnings Per Share

As at December 31, 2021 and 2020, the computation of basic/diluted earnings per share follows:

	2021	2020
Net income	**₱149,929,046**	₱97,443,615
Divided by weighted average number of shares	**25,000,000,000**	25,000,000,000
Basic/diluted earnings per share	**₱0.0060**	₱0.0039

The Company does not have potentially dilutive common shares as at December 31, 2021 and 2020.

15. **Direct Costs**

	2021	2020
Depreciation and amortization (see Note 9)	**₱42,478,563**	₱42,475,288
Real estate tax	**20,892,774**	52,402,345
Outside services	**7,224,300**	6,867,740
Repairs and maintenance	**4,213,205**	2,126,726
Communication, light and water	**1,520,526**	948,366
Insurance and others	**1,370,891**	1,337,105
	₱77,700,259	₱106,157,570

16. **Operating Expenses**

	2021	2020
Personnel costs (see Note 17)	**₱13,480,192**	₱14,134,745
Taxes and licenses	**3,914,531**	5,494,697
Professional fees	**3,320,757**	4,390,000
Provision for expected credit losses (see Note 5)	**1,049,681**	–
Association dues	**827,652**	621,777
Depreciation and amortization (see Note 10)	**589,947**	489,818
Repairs and maintenance	**536,043**	332,093
Rent (see Note 20)	**503,494**	481,802
Commission	**250,500**	114,000
Communication, light and water	**175,242**	160,968
Entertainment, amusement and recreation	**127,175**	323,827
Miscellaneous	**1,139,554**	569,199
	₱25,914,768	₱27,112,926

17. **Personnel Costs**

	2021	2020
Salaries and wages	**₱11,999,506**	₱12,434,239
Retirement benefits cost (Note 18)	**663,219**	999,467
Others	**817,467**	701,039
	₱13,480,192	₱14,134,745

18. **Retirement Benefits Cost**

The Company established a defined benefit noncontributory retirement plan (the Retirement Plan) in 2011 covering all its regular employees.

The Company is required to pay its regular employees retirement benefits equivalent to 22.5 days for ever year of credited service upon reaching the compulsory retirement age of 65. Optional retirement is allowed for an employee who reaches the age of 50 and who has completed 15 years of credited service to the Company.

The following tables summarize the components of the net benefit expense recognized in the statement of comprehensive income and the funded status and amounts recognized in the statement of financial position for the plan. Changes in net pension liability as at December 31, 2021 and 2020 are as follows:

		Net Retirement Cost in Profit or Loss in the Statement of Comprehensive Income			Remeasurements in Other Comprehensive Income							
	Balance at Beginning of Period	Current Service Cost	Net Interest	Subtotal	Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising Changes in demographic assumptions	Effect of Asset Ceiling	Subtotal	Benefits paid	Balance at End of Period
December 31, 2021												
Present value of defined benefit obligation	**₱12,832,815**	**₱780,820**	**₱486,364**	**₱1,267,184**	**₱–**	**(₱773,538)**	**(₱13,174)**	**(₱2,168)**	**₱–**	**(₱788,880)**	**(₱4,307,168)**	**₱9,003,951**
Fair value of plan assets	**(18,934,089)**	–	**(635,981)**	**(635,981)**	**(19,416,986)**	–	–	–	–	**(19,416,986)**	**4,307,168**	**(34,679,888)**
Asset ceiling	**844,761**	–	**32,016**	**32,016**	**–**	–	–	–	**11,722,674**	**11,722,674**	–	**12,599,451**
Net defined benefit asset	**(₱5,256,513)**	**₱780,820**	**(₱117,601)**	**₱663,219**	**(₱19,416,986)**	**(₱773,538)**	**(₱13,174)**	**(₱2,168)**	**₱11,722,674**	**(₱8,483,192)**	**₱–**	**(₱13,076,486)**
December 31, 2020												
Present value of defined benefit obligation	₱10,886,825	₱706,759	₱553,051	₱1,259,810	₱–	₱742,389	(₱56,209)	₱–	₱–	₱686,180	₱–	₱12,832,815
Fair value of plan assets	(5,124,872)	–	(260,343)	(260,343)	(13,548,874)	–	–	–	–	(13,548,874)	–	(18,934,089)
Asset ceiling	–	–	–	–	–	–	–	–	844,761	844,761	–	844,761
Net defined benefit asset	₱5,761,953	₱706,759	₱292,708	₱999,467	(₱13,548,874)	₱742,389	(₱56,209)	₱–	₱844,761	(₱12,017,933)	₱–	(₱5,256,513)

The Retirement Plan Trustee, as appointed by the Company, is responsible for the general admission of the Retirement Plan and the management of the retirement fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to the retirement fund, an independent accountant to audit the fund and an actuary to value the fund.

Major categories of plan assets as at December 31 follow:

	2021	2020
Cash in banks	**₱474,611**	₱451,749
Investments in equity securities	**34,205,277**	18,482,340
	₱34,679,888	₱18,934,089

The carrying amount of the plan assets represents their fair values as at December 31, 2021 and 2020.

Investments in equity securities can be transacted through the Philippine Stock Exchange. The Company has no material transactions with the retirement plan nor does the plan have investments in the Company's shares.

Movements in accumulated remeasurement gains (losses) on retirement benefits, net of deferred taxes are as follows:

	2021	2020
Beginning balance	**₱6,728,522**	(₱1,684,031)
Remeasurement in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	**788,880**	(686,180)
Remeasurement gain on plan assets	**19,416,986**	13,548,874
Effect of asset ceiling	**(11,722,674)**	(844,761)
	8,483,192	12,017,933
Income tax effect	**(1,640,189)**	(3,605,380)
	6,843,003	8,412,553
Ending balance	**₱13,571,525**	₱6,728,522

The latest actuarial valuation of the plan is as at December 31, 2021. The principal actuarial assumptions used to determine retirement benefits cost at the beginning of the year were as follows:

	2021	2020
Discount rate	**5.02%**	3.79%
Salary increase rate	**5.00%**	5.00%

Movements in the principal actuarial assumptions may result to an increase or decrease in the year-end defined benefit obligation (DBO). As such, the following sensitivity analysis shows the effects of 100 basis points (bps) movement in the discount and salary increase rates as at December 31:

		2021	
		Increase (decrease) in DBO in %	**in ₱**
Discount rate	**+100 bps**	**(5.9%)**	**(₱533,519)**
	-100 bps	**6.9%**	**617,686**
Salary increase rate	**+100 bps**	**6.8%**	**611,538**
	-100 bps	**(6.0%)**	**(538,386)**

		2020	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(4.6%)	(₱587,166)
	-100 bps	5.3%	680,677
Salary increase rate	+100 bps	5.2%	665,402
	-100 bps	(4.6%)	(586,064)

The Retirement Plan Trustee has no specific matching strategy between plan assets and plan liabilities.

The average duration of the defined benefit obligation at the end of the period is 6.4 and 4.9 years as at December 31, 2021 and 2020, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2021	2020
Year 1	**₱3,212,906**	₱7,193,131
Year 2	**79,624**	59,034
Year 3	**95,092**	71,719
Year 4	**3,018,421**	86,385
Year 5	**754,124**	2,988,997
Year 6 - 10	**2,098,545**	1,016,284

The Company is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the Retirement Fund.

The Company has no expected contribution in the next financial period.

19. **Income Taxes**

The provision for current income tax represents regular corporate income tax.

The reconciliation of income tax computed at the statutory income tax rate with the provision for income tax follows:

	2021	2020
Provision for income tax at statutory tax rate	**₱42,134,217**	₱36,089,182
Additions to (reductions in) income tax resulting from:		
Gain on sale and fair value changes of financial assets at FVTPL	**(20,624,601)**	(17,122,120)
Nondeductible expenses	**1,615,015**	4,655,905
Rental income from deposits on long-term lease	**(443,327)**	(575,242)
Dividend income exempt from tax	**(275,851)**	(180,450)
Interest income subjected to final tax	**(8,275)**	(13,617)
Impact of CREATE Act	**(3,789,356)**	–
	₱18,607,822	₱22,853,658

The Company's net deferred tax liabilities as at December 31 follow:

	2021	2020
Deferred tax liabilities:		
Accrued rent	**(₱19,651,813)**	(₱17,713,791)
Net retirement plan asset	**(3,269,122)**	(1,576,954)
	(22,920,935)	(19,290,745)
Deferred tax assets:		
Advance rental	**744,527**	913,437
Provision for expected credit losses	**262,420**	–
	1,006,947	913,437–
Net deferred tax liabilities	**(₱21,913,988)**	(₱18,377,308)

As at December 31, 2021 and 2020, the Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱40,600,000 as management believes that that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Bill was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

As at December 31, 2021, the CREATE Act's retrospective 5% income tax rate reduction resulted in a prorated current income tax (CIT) rate of the Company for CY2020 of 27.50%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱13,265,708 or a reduction of ₱1,207,080 in CIT and income tax payable, and a reduction of ₱3,062,885 in provision for deferred income tax due to remeasurement of net deferred tax liabilities. The impact of CREATE Act on the CIT and deferred income tax for the year ended December 31, 2020 have been adjusted in the 2021 financial statements.

20. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and fellow subsidiaries are related entities of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Receivables from and payables to related parties are normally settled in cash.

The Company's transactions with its related parties in 2021 and 2020; and their account balances as at December 31, 2021 and 2020 follow:

	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms and Conditions
	2021	2020	**2021**	2020	
Parent					
Liberty Flour Mills, Inc.					
Rent expense	**₱503,494**	₱481,802	**(₱53,295)**	(₱12,164)	On demand; Unsecured
Affiliate*					
Parity Values, Inc.					
Developmental rights (Note 9)	**52,000,000**	99,700,000	**(37,730,000)**	(89,730,000)	Within 5 years; 5.25% interest per annum
Others	**93,004**	(99,700)	–	(93,004)	30 days; Unsecured
Due to a related party (Note 12)			**(₱53,295)**	(₱105,168)	
Payable to a related party (Note 9)**			**(₱37,730,000)**	(₱89,730,000)	

**Parent Company's stockholder*
***Presented under noncurrent liability in the statements of financial position.*

Rental expense
Rental expense for office space covers a period of one year and is renewable upon mutual agreement unless terminated by the parties concerned.

Advances to Officers and Employees/Salary Loan
Advances for expenses are amounts paid to support the administrative expenses of the related party.

The key management personnel compensation in 2021 and 2020 is as follows:

	2021	2020
Short-term employee benefits	**₱2,970,725**	₱4,070,008
Post-employment benefits and others	**207,966**	553,151
	₱3,178,691	₱4,623,159

21. **Financial Risk Management Objectives and Policies**

The Company's financial instruments consist mainly of cash in banks, investments in equity securities and trade receivables/payables and borrowings. The main risks arising from the use of these financial instruments are credit risk, equity price risk and liquidity risk.

Credit Risk
Credit risk represents the loss that the Company would incur if the counterparty failed to perform under its contractual obligations. The Company has established controls and procedures in its credit policy to determine and monitor the credit worthiness of lessees and counterparties. The Company requires its lessees to pay at least three months security deposit to cover unpaid obligations and liabilities at the termination of the lease. It is also the Company's policy to require its lessees to pay their accounts on or before due date without the need of demand.

The maximum credit exposure of the Company is the carrying amount of the receivables as disclosed in Note 5. There are no significant concentrations of credit risk within the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, the Company's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

The table below shows the maximum exposure to credit risk for the Company's financial assets at amortized cost, without taking account of any collateral and other credit enhancements:

	2021	2020
Cash*	**₱46,745,316**	₱39,658,940
Receivables	**6,477,529**	21,552,027
Other noncurrent assets**	**2,711,493**	2,711,493
Total credit risk exposure	**₱55,934,338**	₱63,922,460

**excluding cash on hand amounting to 13,500 in 2021 and 2020*
***excluding deferred input VAT amounting to 19,742,155 in 2021 (nil in 2020), computer software amounting to ₱99,099 in 2020 (nil in 2021) and advances to suppliers amounting to ₱120,480 and ₱393,248 as at December 31, 2021 and 2020, respectively.*

The following tables summarize the credit quality of the Company's financial assets at amortized cost per category as at December 31:

	2021			
	Stage 1 12-month	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱49,572,923**	**₱4,890,134**	**₱–**	**54,463,057**
Moderate	**–**	**1,471,281**	**–**	**1,471,281**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**49,572,923**	**6,361,415**	**–**	**55,934,338**
ECL	**–**	**1,049,681**	**–**	**1,049,681**
Carrying amount	**₱49,572,923**	**₱5,311,734**	**₱–**	**₱54,884,657**

	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Low	₱55,940,517	₱7,981,943	₱–	₱63,922,460
Moderate	–	–	–	–
High	–	–	–	–
Carrying amount	₱55,940,517	₱7,981,943	₱–	₱63,922,460

The credit quality of the financial assets was determined as follows:

Low Risk - This includes cash and cash equivalents and financial assets at FVOCI with recycling with counterparties with good credit or bank standing, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies. For receivables, this consists of accounts with counterparties with no history of default on the agreed contract terms.

Moderate Risk - This includes receivables with counterparties with little history of default on the agreed contract terms.

High Risk - This includes receivables that consist of accounts with counterparties with history of default on the agreed contract terms.

As at December 31, 2021 and 2020, the COVID-19 outbreak has no significant impact to the Company's credit risk.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to equity price risk because of investments in quoted equity securities, which are classified in the statement of financial position as financial assets at FVTPL and financial assets at FVOCI.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position. The change in market prices used in the sensitivity analysis is determined based on the highest and lowest stock prices of a financial instrument during the period. The Company has determined that for financial assets at FVOCI, a decrease or increase on the stock prices would only impact equity and would not have an effect on profit or loss. The Company has determined that for financial assets at FVTPL, a decrease and increase on the stock prices could have an impact on the profit or loss.

The effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities at FVTPL and fair value of quoted financial assets at FVOCI as at December 31are as follows:

	2021	
	Increase (decrease) in market price	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**33%**	**₱59,540,643**
	(33%)	**(59,540,643**
Financial assets at FVOCI	**18%**	**28,209,392**
	(18%)	**(28,209,392)**

	2020	
	Increase (decrease) in market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	42%	₱34,403,995
	(42%)	(34,403,995)
Financial assets at FVOCI	19%	36,113,473
	(19%)	(36,113,473)

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to pay its obligations when they fall due under normal and stress circumstances. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments as at December 31:

	2021			
	Less than 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial Assets at amortized cost:				
Cash	**₱46,758,816**	**₱–**	**₱–**	**₱46,758,816**
Receivables	**6,477,529**	–	–	**6,477,529**
Financial assets at FVTPL	**180,448,991**	–	–	**180,448,991**
Financial assets at FVOCI	–	–	**156,718,845**	**156,718,845**
Other noncurrent assets	–	–	**2,711,493**	**2,711,493**
	233,685,336	–	**159,430,338**	**393,115,674**
Financial Liabilities				
Notes payable, including interest	–	**139,700,732**	**443,800,782**	**583,501,514**
Accounts payable and other current liabilities				
Accounts payable	**3,416,996**	**20,587,680**	–	**24,004,676**
Accrued expense, excluding accrued interest	**1,230,581**	–	–	**1,230,581**
Construction bond	**6,432,077**	–	–	**6,432,077**
Due to a related party	**53,295**	–	–	**53,295**
Payable to a related party	–	–	**37,730,000**	**37,730,000**
Deposits on long-term leases	–	**12,920,071**	**29,012,790**	**41,932,861**
Other noncurrent liabilities	–	–	**162,176,225**	**162,176,225**
	11,132,949	**173,208,483**	**672,719,797**	**857,061,229**
Net Financial Assets (Liabilities)	**₱222,552,387**	**(₱173,208,483)**	**(₱513,289,459)**	**(₱463,945,555)**

	2020			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets at amortized cost:				
Cash	₱39,672,440	₱–	₱–	₱39,672,440
Receivables	21,552,027	–	–	21,552,027
Financial assets at FVTPL	81,937,073	–	–	81,937,073
Financial assets at FVOCI	–	–	190,070,911	190,070,911
Other noncurrent assets	–	–	2,711,493	2,711,493
	143,161,540	–	192,782,404	335,943,944
Financial Liabilities				
Notes payable, including interest	–	580,890,139	–	580,890,139
Accounts payable and other current liabilities				
Accrued expense, excluding accrued interest	4,282,197	–	–	4,282,197
Construction bond	3,740,497	–	–	3,740,497
Accounts payable	3,291,415	–	–	3,291,415
Due to a related party	105,168	–	–	105,168
Payable to a related party	–	–	89,730,000	89,730,000
Deposits on long-term leases	–	10,517,318	31,654,427	42,171,745
	11,419,277	591,407,457	121,384,427	724,211,161
Net Financial Assets (Liabilities)	₱131,742,263	(₱591,407,457)	₱71,397,977	(₱388,267,217)

As at December 31, 2021 and 2020, the COVID-19 outbreak has no significant impact to the Company's liquidity risk.

Fair Value

The following are the Company's financial instruments whose carrying amounts are measured at fair value as at December 31:

	Carrying Value		Fair Value	
	2021	2020	**2021**	2020
Financial Assets				
Financial assets at FVTPL	**₱180,448,991**	₱81,937,073	**₱180,448,991**	₱81,937,073
Financial assets at FVOCI	**156,718,845**	190,070,911	**156,718,845**	190,070,911

The carrying values of cash in banks, receivables, accounts payable and other current liabilities approximate their fair values due to their short-term nature.

The fair value of deposits on long-term leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. As at December 31, 2021 and 2020, the carrying values deposits on long-term leases were not materially different from their calculated fair values.

Fair Value Hierarchy

Below table presents the fair value measurement hierarchy of the Company's financial assets whose fair values are measured and disclosed as at December 31:

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value:				
Financial assets at FVTPL	**₱180,448,991**	**₱180,448,991**	**₱–**	**₱–**
Financial assets at FVOCI	**156,718,845**	**156,718,845**	**–**	**–**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**3,741,675,179**	**–**	**–**	**3,741,675,179**

	2020			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱81,937,073	₱81,937,073	₱–	₱–
Financial assets at FVOCI	190,070,911	190,070,911	–	–
Nonfinancial assets for which fair values are disclosed -				
Investment properties	3,527,220,179	–	–	3,527,220,179

Financial assets at FVTPL and financial assets at FVOCI are carried at their fair values based on quoted market prices as at December 31, 2021 and 2020.

The disclosures on the fair value measurement hierarchy for investment properties carried at cost are presented in Note 9.

In 2021 and 2020, there were no reclassifications of financial instruments from and into Levels 1, 2 and 3.

22. Capital Management Policies

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2021 and 2020.

The Company monitors capital by having a daily monitoring of receipts and collections, regular release of disbursements to suppliers, monthly cash flow report preparation and monthly review of capital expenditure requirements. The Company at this point, with its healthy cash flow, is not looking for additional bank loans to finance its operations and renovations. The Company strives to earn a minimum return double the annual inflation rate. The Company is not subject to any externally imposed capital requirements.

The following are considered by the Company as capital as at December 31:

	2021	2020
Capital stock	**₱250,000,000**	₱250,000,000
Retained earnings	**318,762,302**	168,833,256
	₱568,762,302	₱418,833,256

23. Note to Statements of Cash Flows

a. The Company has no noncash investing and financing activities except for the purchase of land and development rights in 2021 and 2020, respectively, with unpaid consideration totaling ₱198.14 million and ₱89.73 million as at December 31, 2021 and 2020, respectively (see Note 9).

b. The changes in liabilities arising from financing activities follows:

	2021				
	January 1	**Cash flows**	**Loan Premium**	**Interest expense**	**December 31**
Notes payable	**₱580,000,000**	**(₱4,350,000)**	**₱4,981,822**	**(₱175,308)**	**₱580,456,514**
Payable to a related party	**89,730,000**	**(52,000,000)**	**–**	**–**	**37,730,000**
Interest payable	**890,139**	**(27,235,028)**	**–**	**29,389,889**	**3,045,000**
Total liabilities	**₱670,620,139**	**(₱83,585,028)**	**₱4,981,822**	**₱29,214,581**	**₱621,231,514**

	2020				
	January 1	Cash flows	Loan Premium	Interest expense	December 31
Notes payable	₱632,900,000	(₱52,900,000)	₱–	₱–	₱580,000,000
Interest payable	1,858,341	(34,215,967)	–	33,247,765	890,139
Total liabilities	₱634,758,341	(₱87,115,967)	₱–	₱33,247,765	₱580,890,139

24. Supplementary Information Required Under Revenue Regulations 15-2010

RR 15-2010

The Company reported and/or paid the following types of taxes in 2021:

a. Value-added Tax (VAT)

The Company's rental income is subject to output value added tax (VAT) while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

- Net Sales/Receipts and Output VAT declared in the Company's VAT returns

	Net Sales/Receipts	Output VAT
Vatable net sales/receipts:		
Rental income	₱193,380,001	₱23,205,600
Common area service income	16,831,535	2,019,784
Others	808,972	97,077
Zero-rated rental income	9,058,395	–
	220,078,903	25,322,461
Application of input VAT		11,693,176
VAT payments		13,629,285
Balance at December 31		₱–

Zero-rated rental income pertains to those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

- Input VAT

Balance at January 1	₱–
Current year's domestic purchases/payments or importations for:	
Capital goods subject to amortization	127,309
Capital goods not subject to amortization	9,384,903
Services lodged under cost of services	4,802,784
	14,314,996
Application against output VAT	11,693,176
Balance at December 31	2,621,820

b. Documentary Stamp Taxes

Documentary stamp taxes paid for the year amounted to ₱4,737,633.

c. Other Taxes and Licenses

Real estate taxes	₱20,892,774
License and permits fees	3,526,898
	₱24,419,672

d. Withholding Taxes

	Paid	Accrued	Total
Withholding tax on compensation and benefits	₱1,541,292	₱198,556	₱1,739,848
Expanded withholding taxes	1,087,637	195,396	1,283,033
		₱3,022,881	

e. Tax Assessments and Cases

The Company received a Formal Letter of Demand from the BIR dated December 9, 2021 covering income tax, value-added tax, expanded withholding tax, withholding tax on compensation, documentary stamp tax and compromise penalty for the taxable year 2018 in the aggregate amount of ₱10,296,421. The Company filed its protest letter on January 5, 2022 and the Company's request for reinvestigation has been granted on January 18, 2022. The assessment docket was transferred to a new group of BIR Examiners for evaluation and other appropriate action.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited the financial statements of LFM Properties Corporation (a wholly owned subsidiary of Liberty Flour Mills, Inc.) as at December 31, 2021 and 2020, and for the years then ended, on which we have rendered the attached report dated February 28, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

February 28, 2022

SGV
Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LFM Properties Corporation. (the Company), as at and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated February 28, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

February 28, 2022

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LFM Properties Corporation (the Company) as at and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated February 28, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2021 and 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

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Partner
CPA Certificate No. 98838
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November 11, 2019, valid until November 10, 2022
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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

February 28, 2022

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021

In compliance with Revised Securities Regulation Code Rule 68, the Company has prepared the following schedules:

- Financial Assets (Annex 68-J: Schedule A)
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principle Stockholders (Annex 68-J: Schedule B)*
- Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements (Annex 68-J: Schedule C)*
- Long-Term Debt (Annex 68-J: Schedule D)
- Indebtedness to Related Parties (Annex 68-J: Schedule E)
- Guarantees of Securities and Other Issuers (Annex 68-J: Schedule F)*
- Capital Stock (Annex 68-J: Schedule G)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- Map of the Relationship of the Companies within the Group

**Not Applicable*

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

FINANCIAL ASSETS (Annex 68-J: Schedule A)
DECEMBER 31, 2021

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
Financial Assets at Amortized Cost					
Cash	N/A	N/A	₱46,758,816	N/A	₱33,098
Receivables:					
Rent receivable	N/A	N/A	6,361,415	N/A	44,851
Advances to officers and employees	N/A	N/A	116,114	N/A	–
			53,236,345		77,949
Financial Assets at FVTPL					
Equity investments	AC Energy Philippines Inc.	14,256,757	156,824,327	156,824,327	855,406
Equity investments	ACE Enexor, Inc	300,000	12,000,000	12,000,000	–
Equity investments	Philex Mining	1,000,000	5,450,000	5,450,000	59,000
Equity investments	PLDT	2,000	3,624,000	3,624,000	164,000
Equity investments	PXP Energy Corp	150,000	922,500	922,500	–
Equity investments	SFA Semicon Philippines Corp.	400,000	440,000	440,000	–
Equity investments	Cebu Landmasters, Inc.	223,000	669,000	669,000	25,000
Equity investments	Lepanto	3,545,455	496,364	496,364	–
Equity investments	Universal Rightfield Property Holdings, Inc.	600,000	22,800	22,800	–
		20,477,212	180,448,991	180,448,991	1,103,406
Financial Assets at FVOCI					
Equity investments	PBCOM	8,965,609	156,718,845	156,718,845	–
			156,718,845	156,718,845	–
Total Financial Assets			₱390,404,181	₱337,167,836	₱1,181,355

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

LONG - TERM DEBT (Annex 68-J: Schedule D)
December 31, 2021

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current portion of notes payable" in related Statement of Financial Position	Amount shown under Caption "Notes payable – net of current portion" in related Statement of Financial Position
Five-year secured term loan	₱290,000,000	₱67,591,446	₱220,820,976
Five-year secured term loan	290,000,000	69,064,286	222,979,806
Total	₱580,000,000	₱136,655,732	₱443,800,782

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

INDEBTEDNESS TO RELATED PARTIES (Annex 68-J: Schedule E)
December 31, 2021

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written off	Current	Non-Current	Balance at End of Period
Affiliate							
Parity Values, Inc	₱89,730,000	₱–	(₱52,000,000)	₱–	₱–	₱37,730,000	₱37,730,000

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

CAPITAL STOCK (Annex 68-J: Schedule G)
DECEMBER 31, 2021

Title of Issue	Number of shares authorized	Number of Shares outstanding	Number of shares reserved	Number of shares held by related parties	Directors and officers	Others
Common	30,000,000,000	25,000,000,000	–	24,999,999,993	8	–
Preferred	1,000,000	–	–	–	–	–
	30,001,000,000	25,000,000,000		24,999,999,993		

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Annex 68-D)

DECEMBER 31, 2021

	Amount
Unappropriated retained earnings, beginning	₱168,833,256
Less: Impact of rental income straight-lining under PFRS as at December 31, 2020	(59,045,971)
Cumulative fair value on financial assets at FVTPL as at December 31, 2020	(41,090,079)
Deferred tax assets	(913,437)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	67,783,769
Add: Net income actually earned/realized during the year	
Net income closed to retained earnings	149,929,046
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(82,498,404)
Impact of rental income straight-lining under PFRSs	(19,561,284)
Movement in deferred tax assets	(93,510)
Net income actually earned/realized during the year	47,775,848
Less: Cash dividend declaration during the year	–
Total retained earnings available for dividend declaration, end	₱115,559,617

LFM PROPERTIES CORPORATION

(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

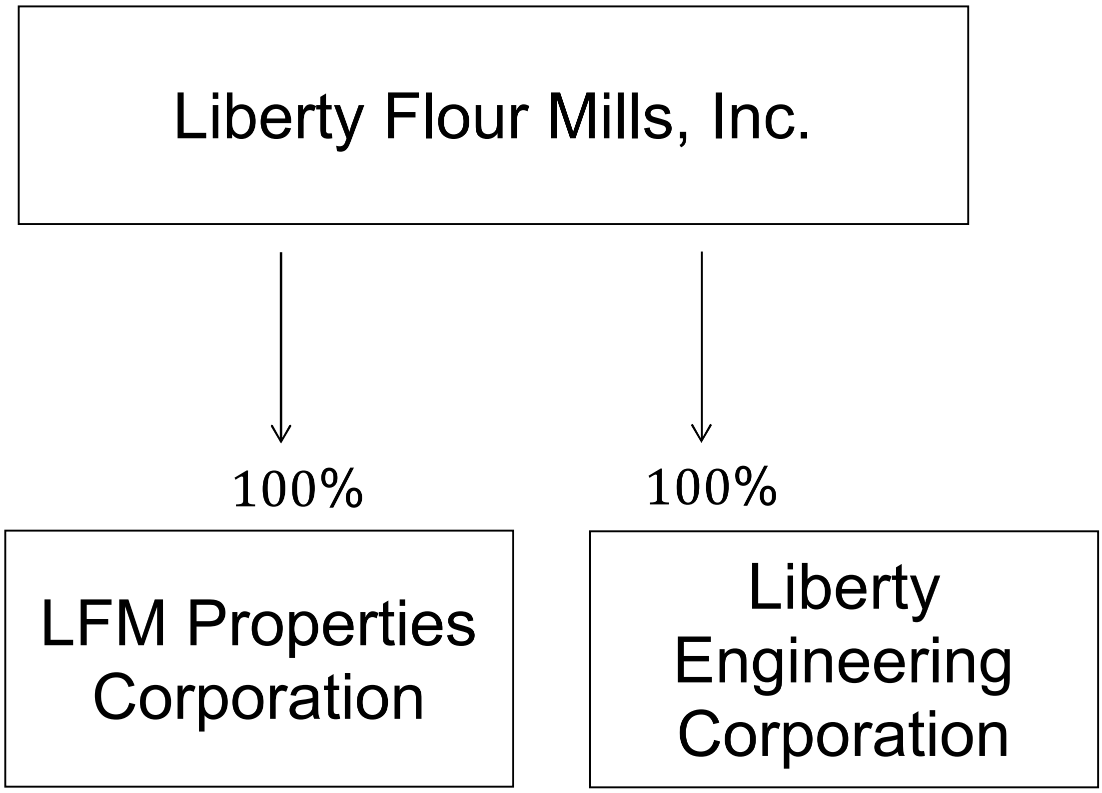
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)

DECEMBER 30, 2021 and 2020

	Formula	**2021**	2020
Current Ratio	Total current assets/Total current liabilities	**1.26**	0.25
Acid Test Ratio	(Cash and cash equivalents + Receivable) / Total current liabilities	**0.27**	0.10
Solvency Ratio	(Net income + Depreciation)/ Total liabilities	**0.22**	0.19
Debt-to-Equity Ratio	Total liabilities/Total equity	**1.82**	2.07
Asset-to-Equity Ratio	Total assets/Total equity	**2.82**	3.07
Interest Rate Coverage Ratio	Income before interest expense and tax/Interest expense	**6.49**	4.46
Return on Equity	Net income/Total equity	**0.31**	0.27
Return on Assets	Net income/Total assets	**0.11**	0.09
Net Profit Margin	Net income/Revenue	**0.67**	0.42
Debt Service Coverage Ratio	Income before interest expense, income tax, depreciation and amortization/Total debt service (interest expense + principal payments)	**7.90**	5.70

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2021



LFM
PROPERTIES CORPORATION

February 28, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LFM Properties Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2021 and 2020, in accordance with 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 but 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 and submits the same to the stockholders.

SyCip Gorres Velayo & Co., independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ______________
Name of Chairman : William Carlos Uy

Signature ______________
Name of President : Jose S. Jalandoni

Signature ______________
Name of Vice President and Treasurer : William L. Ang

SUBSCRIBED AND SWORN to before me this MAR 16 2022 with the presentation of the following:

DOC. NO.: 457
PAGE NO.: 93
BOOK NO.: XX
SERIES OF 2022

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
NOTARIAL COMMISSION 2020-050 / 12/31/2021 Manila
IBP NO. 178598 01/03/2022, PASIG
PTR NO. 0060197 01/05/2021 MLA
ROLL NO. 29679, TIN: 172-528-620
MCLE COMPL. NO. VII-0000165 6/26/2019 Valid April 14, 2025
URBAN DECA HOMES MANILA, B-2, UNIT 355, TONDO, MANILA
UNDER SUPREME COURT B.M. NO. 3795 EXTENDED FROM JAN. 1 TO JUNE 30, 2022

Gmail

Hydeliza de Guzman <hrdeguzman@lfmproperty.com>

Tax Return Receipt Confirmation

1 message

ebirforms-noreply@bir.gov.ph <ebirforms-noreply@bir.gov.ph>
To: hrdeguzman@lfmproperty.com

Tue, Apr 5, 2022 at 5:03 PM

This confirms receipt of your submission with the following details subject to validation by BIR:
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