COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	5	1	6	3	6	1

COMPANY NAME

KEPWEALTH PROPERTY PHILS., INC.

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

UNIT IJ01-23 BURGUNDY CORPORATE TOWER 2

52 SEN. GIL PUYAT AVE., MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@kepwealth.com	(632) 7978-5080	+63917-888-2789

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
15	July 10, 2019	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
Edmundo G. Las	edmundo.las@kepwealth.com	(632) 7978-5080	–

CONTACT PERSON'S ADDRESS

51 Visayas Street, Ayala Alabang Village, Muntinlupa 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 shall not excuse the corporation from liability for its deficiencies.*

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
KEPWEALTH PROPERTY PHILS., INC.
Unit IJ01-23 Burgundy Corporate Tower
252 Sen. Gil Puyat Ave.
Makati City

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of KEPWEALTH PROPERTY PHILS., INC. (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended December 31, 2019, 2018 and 2017 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and 2018 and its financial performance and its cash flows for the years then ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the 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.

Key Audit Matters

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

Accounting for the Proceeds from the Initial Public Offering (IPO)

The shares of the stock of the Company were listed with the Philippine Stock Exchange, Inc. on August 19, 2019. The proceeds from the IPO amounted to ₱384.7 million. The accounting for the proceeds is significant to our audit because the outstanding balance of the proceeds amounting to ₱360.0 million as at December 31, 2019 represent 43% of the total assets. Moreover, the Company is required to adhere to the use of the proceeds pursuant to the Offering Circular.

Our procedures included, among others, examining the underlying documents and obtaining confirmation from banks of the outstanding balance of the outstanding balance of the proceeds and testing the nature and validating the underlying documents of the actual disbursements of the proceeds for the year ended December 31, 2019.

Necessary disclosures are included in Note 4, *Initial Public Offering,* which discusses IPO and use of proceeds, and Note 10, *Equity*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 22 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 the Company. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
CPA Certificate No. 27455
Tax Identification No. 102-084-004-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 27455-SEC Group A
Valid until January 27, 2025
BIR Accreditation No. 08-005144-005-2019
Valid until October 16, 2022
PTR No. 8116470
Issued January 6, 2020, Makati City

June 19, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY INCOME TAX RETURN FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE

The Stockholders and the Board of Directors
KEPWEALTH PROPERTY PHILS., INC.
Unit IJ01-23 Burgundy Corporate Tower
252 Sen. Gil Puyat Ave.
Makati City

We have audited the accompanying financial statements of KEPWEALTH PROPERTY PHILS., INC. (the Company) as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated June 19, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
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Issued January 6, 2020, Makati City

June 19, 2020
Makati City, Metro Manila

KEPWEALTH PROPERTY PHILS., INC.
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱452,334,407**	₱75,009,849
Short-term investments	5	**50,311,667**	–
Trade and other receivables	6	**4,043,720**	6,243,932
Other current assets		**4,445,905**	335,513
Total Current Assets		**511,135,699**	81,589,294
Noncurrent Assets			
Investment properties	7	**317,038,624**	346,754,146
Property and equipment	8	**466,891**	20,256
Net deferred tax asset	15	**3,338,475**	4,332,459
Deferred input value-added tax		**475,255**	798,650
Total Noncurrent Assets		**321,319,245**	351,905,511
		₱832,454,944	₱433,494,805
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	9	**₱33,958,981**	₱37,677,664
Income tax payable		**1,167,688**	2,183,620
Total Current Liabilities		**35,126,669**	39,861,284
Noncurrent Liabilities	16		
Advance rent - net of current portion		**1,793,621**	1,189,262
Security deposits - net of current portion		**2,378,029**	2,568,895
Deferred credits - net of current portion		**75,338**	231,130
Total Noncurrent Liabilities		**4,246,988**	3,989,287
Total Liabilities		**39,373,657**	43,850,571
Equity			
Capital stock	10	**456,057,609**	340,025,000
Additional paid-in capital	10	**299,519,764**	–
Retained earnings		**37,503,914**	49,619,234
Total Equity		**793,081,287**	389,644,234
		₱832,454,944	₱433,494,805

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUES				
Leasing	16	**₱84,808,943**	₱81,846,155	₱75,475,152
Asset management	14	**15,986,474**	–	–
		100,795,417	81,846,155	75,475,152
COSTS OF SERVICES	11	**39,946,830**	33,271,010	30,194,603
GROSS INCOME		**60,848,587**	48,575,145	45,280,549
GENERAL AND ADMINISTRATIVE EXPENSES	12	**18,119,305**	6,526,490	4,244,944
OTHER INCOME	13	**5,420,495**	1,224,458	1,785,594
INCOME BEFORE INCOME TAX		**48,149,777**	43,273,113	42,821,199
PROVISION FOR (BENEFIT FROM) INCOME TAX	15			
Current		**10,271,113**	8,507,466	8,546,971
Deferred		**993,984**	468,634	(414,445)
		11,265,097	8,976,100	8,132,526
NET INCOME		**36,884,680**	34,297,013	34,688,673
OTHER COMPREHENSIVE INCOME		**–**	–	–
TOTAL COMPREHENSIVE INCOME		**₱36,884,680**	₱34,297,013	₱34,688,673
BASIC AND DILUTED EARNINGS PER SHARE	10	**₱0.23**	₱0.26	₱0.26

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2019**	2018	2017
CAPITAL STOCK	10			
Common				
Balance at beginning of year		**₱85,025,000**	₱85,025,000	₱85,010,000
Stock dividends		**49,000,000**	–	–
Issuance		**67,032,609**	–	15,000
Balance at end of year		**201,057,609**	85,025,000	85,025,000
Preferred				
Balance at beginning and end of year		**255,000,000**	255,000,000	255,000,000
		456,057,609	340,025,000	340,025,000
ADDITIONAL PAID-IN CAPITAL	10	**299,519,764**	–	–
RETAINED EARNINGS				
Balance at beginning of year		**49,619,234**	15,322,221	11,906,942
Net income		**36,884,680**	34,297,013	34,688,673
Stock dividends	10	**(49,000,000)**	–	–
Cash dividends		**–**	–	(31,273,394)
Balance at end of year		**37,503,914**	49,619,234	15,322,221
		₱793,081,287	₱389,644,234	₱355,347,221

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱48,149,777**	₱43,273,113	₱42,821,199
Adjustments for:				
Depreciation and amortization	7	**33,292,072**	30,043,473	26,858,749
Interest income	5	**(4,628,524)**	(632,739)	(786,347)
Provision for expected credit loss	6	**1,089,473**	–	–
Gain on sale of office improvement	13	**(179,464)**	–	–
Operating income before working capital changes		**77,723,334**	72,683,847	68,893,601
Decrease (increase) in:				
Trade and other receivables		**1,110,739**	(3,131,647)	(8,313,645)
Other current assets		**(4,110,392)**	(50,915)	(2,722)
Deferred input VAT		**323,395**	305,366	(1,385,892)
Increase (decrease) in:				
Accounts and other payables		**3,033,860**	6,233,086	7,690,184
Advance rent		**(5,624,122)**	(4,909,039)	(2,099,115)
Security deposits		**(774,371)**	(2,198,898)	(2,313,022)
Deferred credits		**(146,886)**	(44,106)	(91,422)
Net cash generated from operations		**71,535,557**	68,887,694	62,377,967
Income taxes paid		**(11,287,045)**	(7,575,289)	(8,136,431)
Interest received		**4,316,857**	679,648	769,802
Net cash provided by operating activities		**64,565,369**	61,992,053	55,011,338
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Short-term investments		**(50,311,667)**	–	–
Investment properties	7	**(3,531,640)**	(3,858,087)	(5,484,770)
Property and equipment	8	**(1,362,081)**	(22,098)	–
Proceeds from sale of office improvement	8	**1,050,000**	–	–
Interest received		**311,667**	–	–
Net cash used in investing activities		**(53,843,721)**	(3,880,185)	(5,484,770)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common stock		**366,552,373**	–	15,000
Increase (decrease) in due to related parties	20	**50,537**	(55,386,700)	14,834,452
Cash dividends paid		–	–	(31,273,394)
Net cash provided by (used in) financing activities		**366,602,910**	(55,386,700)	(16,423,942)

(Forward)

	Note	Years Ended December 31		
		2019	2018	2017
NET INCREASE IN CASH AND CASH EQUIVALENTS		**₱377,324,558**	₱2,725,168	₱33,102,626
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**75,009,849**	72,284,681	39,182,055
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱452,334,407**	₱75,009,849	₱72,284,681
NONCASH FINANCIAL INFORMATION				
Issuance of stock dividends	10	**₱49,000,000**	₱–	₱–
Settlement through offsetting of advances to officers against due to a related party		**–**	7,500,000	–
Acquisition of investment properties through advances from related party		**–**	–	47,686,799

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

KEPWEALTH PROPERTY PHILS., INC. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 2005.

On March 7, 2019, the SEC approved the amendment of the Company's Articles of Incorporation. The amendment includes the following:

- change in business purpose from engaging in real estate business, excluding land ownership, to investing, purchasing, or otherwise acquiring and owning, holding, using, selling, assigning, transferring, leasing, mortgaging, exchanging, maintaining, administering, managing and operating alone or jointly with others, or otherwise disposing of real property, such as but not limited to office, commercial, agricultural and residential properties, hotel inns, resorts, apartments, or personal property of every kind and description;

- change in authorized capital structure from 8,800,000 common shares at ₱10 par value a share and 53,200,000 preferred shares at ₱10 par value a share to 365,000,000 common shares at ₱1 par value a share and 255,000,000 preferred shares at ₱1 par value a share, respectively (Note 10); and

- change of principal office to Unit IJ01-23 Burgundy Corporate Tower, 252 Sen. Gil Puyat Ave., Makati City

The change in par value in the Company's authorized capital resulted to an increase in authorized common shares by 79,200,000 and preferred shares by 478,800,000 and the reclassification of 277,000,000 preferred shares to common shares.

The Company's stockholders and Board of Directors (BOD) declared stock dividends of 49,000,000 common shares at ₱1 par value a share equivalent to ₱49.0 million from the increase in authorized common shares on January 30, 2019.

On the same date, the stockholders and the BOD authorized the Company to undertake an initial public offering (IPO) of its common shares with the Philippine Stock Exchange (PSE). Subsequently, on July 23, 2019 and July 24, 2019, the SEC and the PSE approved the Company's application for IPO.

On August 19, 2019, the Company's common shares were listed with the PSE. The Company offered 67,032,607 new common shares to the public at an offer price of up to ₱5.74 per share. Net proceeds from the IPO amounted to ₱360.0 million, net of offer expenses of ₱24.7 million (Notes 4 and 10).

The Company's registered office address is Unit IJ01-23 Burgundy Corporate Tower, 252 Sen. Gil Puyat Ave., Makati City.

The financial statements of the Company as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017 were approved and authorized for issue by the BOD on June 19, 2020.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and adopted by the SEC, including SEC pronouncements.

The significant accounting policies used in the preparation of financial statements are consistently applied to all the years presented, unless otherwise stated.

Measurement Bases

The financial statements have been prepared on a historical cost basis and presented in Philippine Peso (Peso), which is the Company's functional currency. Amounts are rounded off to the nearest Peso, except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. 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 transaction date.

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 market 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.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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 at the end of each reporting year.

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.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair value are included in Note 7, *Investment Properties* and Note 18, *Fair Values of Financial Instruments*.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income (OCI)).

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendment is part of the Annual Improvement to PFRS 2015 to 2017 Cycle and requires entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, OCI or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

New and Amended PFRS in Issue but Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Financial Instruments

a. Recognition Policies

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction 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 profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss 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.

b. Classification and Subsequent Measurement Policies

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through OCI (FVOCI), and (c) financial assets at FVPL. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2019 and 2018, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets are measured at amortized cost because both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, short-term investments, trade receivables and due from related parties are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process. Financial liabilities which are expected to be paid within 12 months after reporting period are classified as current. Otherwise, these are classified as noncurrent liabilities.

The Company's accounts payable, security deposits, accruals, due to a related party and other payables are classified under this category.

c. Reclassification Policies

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

d. Impairment Policy on Financial Assets at Amortized Cost

The Company recognizes an allowance for expected credit loss (ECL) for financial assets at amortized cost. ECL is 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. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach, which requires that ECL should always be based on the lifetime ECL. 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 and an assessment of both the current as well as the forecast direction of conditions at the reporting year, including time value of money where appropriate.

For other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, 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 the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

f. Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

g. Classification of Financial Instrument between Liability and Equity.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- 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.

Other Current Assets

Other current assets consist of deposit to contractors, prepayments and deferred input value-added tax (VAT).

Deposit to Contractors. Deposit to contractors are amounts paid in advance for the purchase of properties, goods and services. These are carried in the statements of financial position at face amount and are recognized as expense in profit or loss or to the corresponding asset account when the properties, goods or services for which the deposits were made are received by and delivered to the Company.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of VAT payable to the taxation authority is included as part of "Accounts and other payables" account in the statements of financial position.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

In accordance with the Revenue Regulations No. 16-2005, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar months exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT on capital goods is classified as current assets if it is expected to be claimed against output VAT for no more than 12 months after the reporting year. Otherwise these are classified as noncurrent assets. Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Investment Properties

Investment properties include condominium units and parking slots that are held for rentals and/or capital appreciation, and that are not occupied by Company. Investment properties are carried at cost, less any accumulated depreciation and any impairment losses.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful life of 25 years. Initial leasing cost is capitalized as cost of investment properties and is amortized over the lease term on the same basis as leasing revenue. The amortization of initial leasing cost is presented as "Commission" under "Costs of Services" account in the statements of comprehensive income.

Transfers are made to or from investment property only when there is a change in use. A transfer between investment property and owner-occupied property does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss in the year of retirement or disposal.

Property and Equipment

Property and equipment is carried at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

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

Major renovations that qualify for capitalization are depreciated and amortized over the remaining useful life of the related asset or up to the date of the next major renovation, whichever is shorter.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Office Improvement	3 to 5
Office Equipment	3

The estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated property and equipment is retained in the books until these are no longer being used in the operations.

When an asset is disposed or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and any impairment are derecognized. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit of loss.

Impairment of Nonfinancial Assets

The Company assesses at each reporting year whether there is an indication that nonfinancial assets 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. The recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. 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 assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment loss is recognized in the statements of comprehensive income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting year as to whether there is any indication that previously recognized impairment loss 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 estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation for office equipment, had no impairment loss been recognized for the asset in prior years.

Equity

*Capital Stock***.** Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital. Additional paid-in capital represents the excess of proceeds and/or fair value of considerations received over the par value of the subscribed capital stock. Incremental costs directly attributable to the issuance of new shares are recognized as a deduction from equity, net of tax.

Retained Earnings. Retained earnings represent the cumulative balance of net income, net of any dividend declaration.

Dividend Distribution. Stock dividend distribution to the Company's stockholders is recognized immediately as an addition to capital and deducted from retained earnings in the year in which the dividends are approved by the Company's BOD. Cash dividends are recognized as a liability and deducted from equity when these are approved by the BOD of the Company for declaration.

Stock Split. Stock split pertains to issuance of additional shares to existing stockholders for no additional consideration.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

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

Leasing. Revenue under non-cancellable leases on investment properties is recognized on a straight-line basis over the term of the lease.

Asset Management. Asset management revenue pertains to management of various properties and commission revenues for the lease of these properties. Management revenue is recognized when related services are rendered while commission revenue is recognized when earned based on certain percentage of monthly rate of new lease and renewal of both unit and parking slot.

Interest Income. Interest income is recognized as interest accrues, taking into account the effective yield on the asset.

Other Income. Other income is recognized as earned.

Cost and Expense Recognition

Costs and expenses are recognized in the statements of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase has arisen that can be measured reliably.

Costs of Services. Costs of services are recognized as expense when the related services are rendered.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business and costs incurred to sell and market goods. These are expensed as incurred.

Leases

a. Assessment Policies beginning January 1, 2019

The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from use of the identified asset; and

ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

b. Assessment Policies prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

i. there is a change in contractual terms, other than a renewal or extension of the arrangement;

ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (ii) or (iv) and at the date of renewal or extension period for scenario (ii).

c. Assessment Policies beginning January 1, 2019

The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

iii. the right to obtain substantially all of the economic benefits from use of the identified asset; and

iv. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

d. Lessor Accounting

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as leasing revenue. Contingent rents are recognized as revenue in the period in which these are earned.

Rent received in advance is recognized as “Advance rent” in the statements of financial position. Unamortized day-1 gain is recognized as “Deferred credits” in the statements of financial position. Security deposits received are refundable at the end of the lease term. These security deposits are measured at amortized cost using the effective interest rate method at the inception of the lease agreements. Advance rent, deferred credits and security deposit, which are expected to be settled within 12 months after reporting year are classified as current and presented under “Accounts and other payables” in the statements of financial position. Otherwise, these are classified as noncurrent liabilities.

Income Tax

Current Tax. Current tax is the expected tax payable on the taxable income for the year, using the tax rate enacted or substantively enacted at the reporting year, and any adjustment to tax payable in the previous years.

Deferred Tax. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting year and are recognized to the extent that it has become probable that future taxable profit 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 rate (and tax laws) that have been enacted or substantively enacted at reporting year.

Current tax and deferred tax are recognized in profit or loss except to the items recognized directly in equity or in OCI.

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

Earnings per Share (EPS)

Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock split and stock dividends declared.

Diluted EPS is calculated in the same manner as basic EPS, adjusted for the effects of all dilutive potential common shares.

Segment Reporting

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

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions
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.

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments, accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Determining the Classification of Financial Assets. Classification of financial assets under PFRS 9 depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Company.

The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. The Company also determines whether the contractual terms of financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

Determining the Operating Segments. Determination of operating segments is based on the information about components of the Company that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Company determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment (Note 19).

Determining the Classification of Leases - The Company as a Lessor. The Company classifies leases in accordance with the substance of the contractual agreement and the transfer of the risks and benefits incidental to the ownership of the leased property. Leases, where management has determined that the risks and rewards related to the leased property are transferred to the Company, are classified as finance leases. On the other hand, leases entered into by the Company, where management has determined that the risks and rewards of the leased property are retained with the lessor, are accounted for as operating leases.

The Company entered into a number of operating lease agreements as a lessor. As a lessor, the Company has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

The Company recognized leasing revenue amounting to ₱84.8 million, ₱81.8 million and ₱75.5 million in 2019, 2018 and 2017, respectively (Note 16).

Determining the Classification of Investment Properties. The Company determines whether a property qualifies as an investment property when it is held primarily to earn rentals or capital appreciation or both and is not substantially for use by, or in the operations of, the Company.

The Company classified condominium units and parking slots and initial leasing costs as investment properties. The carrying amounts of the Company's investment properties amounted to ₱317.0 million and ₱346.8 million as at December 31, 2019 and 2018, respectively (Note 7).

Accounting Estimates and Assumptions

Accounting estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

Estimating the ECL on Trade Receivables. The Company estimates ECL on trade receivables using a provision matrix that is based on the days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Company uses its historical credit loss experience adjusted for forward-looking factors, as appropriate. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

Provision for ECL on trade receivables amounted to ₱1.1 million in 2019. No provision for ECL on trade receivables was recognized in 2018 and 2017. Allowance for ECL on trade receivables amounted to ₱1.1 million and nil as at December 31, 2019 and 2018, respectively (Note 6).

Estimating the ECL on Other Financial Assets at Amortized Cost. The Company determines ECL on its other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over their expected lives. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors: (a) actual or expected external and internal credit rating downgrade; (b) existing or forecasted adverse changes in business, financial or economic conditions; and (c) actual or expected significant adverse changes in the operating results of the debtor.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the debtor.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable counterparties with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2019, 2018 and 2017.

The carrying amounts of other financial assets at amortized cost as at December 31, 2019 and 2018 are as follows:

	Note	**2019**	2018
Cash and cash equivalents	5	**₱452,334,407**	₱75,009,849
Short-term investments	5	**50,311,667**	–
Due from related parties	6	**–**	1,024,840

Estimating the Useful Lives of Investment Properties and Property and Equipment. The Company estimates the useful lives of its investment properties and property and equipment based on the years over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of the assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes, and anticipated use of the assets.

There were no changes in the estimated useful lives of investment properties and property and equipment in 2019, 2018 and 2017.

The carrying amounts of investment properties amounted to ₱317.0 million and ₱346.8 million as at December 31, 2019 and 2018, respectively (Note 7). The carrying amounts of property and equipment amounted to ₱0.5 million and ₱20,256 as at December 31, 2019 and 2018 respectively (Note 8).

Assessing the Impairment of Nonfinancial Assets. PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount of nonfinancial assets which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that the nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

There were no impairment indicators on the Company's nonfinancial assets. Accordingly, no impairment loss was recognized in 2019, 2018 and 2017. The carrying amounts of nonfinancial assets as at December 31, 2019 and 2018 are as follows:

	Note	**2019**	2018
Investment properties	7	**₱317,038,624**	₱346,754,146
Other current assets		**4,445,905**	333,513
Accrued rent	6	**1,147,683**	1,241,066
Deferred input VAT - net of current portion		**475,255**	798,650
Property and equipment	8	**466,891**	20,256
Advances to officers and employees	6	**339,808**	110,781

Assessing the Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting period and reduces the carrying amounts to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

As at December 31, 2019 and 2018, the Company's recognized deferred tax assets amounted to ₱4.0 million and ₱5.4 million, respectively (Note 15).

4. Initial Public Offering

On August 19, 2019, the Company's 67,032,607 common shares were officially listed at the PSE at an offer price of up to ₱5.74 per share. Net proceeds from the IPO aggregated ₱360.0 million, net of disbursements for offer expenses of ₱24.7 million (Notes 1 and 10).

The unapplied proceeds from the IPO of ₱360.0 million as at December 31, 2019 are maintained in various current and saving accounts. It will be used to fund key property acquisitions for leasing purposes.

On March 6, 2020, the Company acquired two floors and eighteen parking slots at a commercial building located within Metro Manila for ₱184.4 million, inclusive of VAT.

5. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

Details of this account are as follows:

	2019	2018
Cash on hand	**₱27,002**	₱17,000
Cash in banks	**401,162,555**	74,992,849
Cash equivalents	**51,144,850**	–
	₱452,334,407	₱75,009,849

Cash in banks earn interest at the respective bank deposit rates. Cash in banks include unused proceeds from IPO (Note 4). Cash equivalents as at December 31, 2019 are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn annual interest at 3.25%.

Short-term Investments

Short-term investments amounting to ₱50.3 million as at December 31, 2019 has a maturity of more than three months but less than a year with annual interest at 3.30%.

Details of interest income earned are as follows:

	Note	**2019**	2018	2017
Cash and cash equivalents		**₱4,316,857**	₱632,739	₱786,347
Short-term investments		**311,667**	–	–
	13	**₱4,628,524**	₱632,739	₱786,347

6. Trade and Other Receivables

This account consists of:

	Note	**2019**	2018
Trade			
Third parties		**₱3,617,507**	₱3,867,245
Related parties	14	**28,195**	–
Accrued rent		**1,147,683**	1,241,066
Due from related party	14	**–**	1,024,840
Others		**339,808**	110,781
		5,133,193	6,243,932
Less allowance for ECL		**1,089,473**	–
		₱4,043,720	₱6,243,932

Provision for ECL of ₱1.1 million was recognized in 2019 (Note 12).

Trade receivables are noninterest-bearing and are generally collectible in the succeeding month.

Accrued rent receivable pertains to straight-line adjustments in accordance with the accounting for leases.

7. Investment Properties

Movements in this account are as follows:

	Note	2019 Condominium Units and Parking Slots	2019 Initial Leasing Cost	2019 Total
Cost				
Balance at beginning of year		**₱673,974,734**	**₱6,396,451**	**₱680,371,185**
Additions		**1,229,743**	**2,301,897**	**3,531,640**
Write-off		**–**	**(2,982,178)**	**(2,982,178)**
Balance at end of year		**675,204,477**	**5,716,170**	**680,920,647**
Accumulated Depreciation and Amortization				
Balance at beginning of year		**330,407,877**	**3,209,162**	**333,617,039**
Depreciation and amortization	11	**28,879,925**	**4,367,237**	**33,247,162**
Write-off		**–**	**(2,982,178)**	**(2,982,178)**
Balance at end of year		**359,287,802**	**4,594,221**	**363,882,023**
		₱315,916,675	**₱1,121,949**	**₱317,038,624**

	Note	2018 Condominium Units and Parking Slots	2018 Initial Leasing Cost	2018 Total
Cost				
Balance at beginning of year		₱673,974,734	₱2,538,364	₱676,513,098
Additions		–	3,858,087	3,858,087
Balance at end of year		673,974,734	6,396,451	680,371,185
Accumulated Depreciation and Amortization				
Balance at beginning of year		301,492,948	2,082,460	303,575,408
Depreciation and amortization	11	28,914,929	1,126,702	30,041,631
Balance at end of year		330,407,877	3,209,162	333,617,039
		₱343,566,857	₱3,187,289	₱346,754,146

This account consists mainly of condominium units and parking slots at Kepwealth Center (previously Keppel Center) located in Cebu Business Park, Cebu City. These units are being leased-out to third parties with lease terms ranging from one to six years. This also includes initial leasing cost which consists of unamortized portion of commission incurred for lease transactions.

Leasing revenue earned from investment properties amounted to ₱84.8 million, ₱81.8 million and ₱75.5 million in 2019, 2018 and 2017, respectively (Note 16).

Direct costs incurred related to the investment properties amounted to ₱39.9 million, ₱33.3 million and ₱30.2 million in 2019, 2018 and 2017, respectively (Note 11).

The fair value of the investment properties aggregating ₱869.2 million is based on the appraisal of an accredited independent appraiser. The latest appraisal report is dated July 6, 2018. The fair value of the investment properties has been categorized as Level 2. Fair value was based on the market data and income approach. Market data relies on the comparison of sale transactions or offering of similar properties which were offered in the market as of valuation date and income approach measures the current value of a property by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the property.

Depreciation and amortization recognized in the statements of comprehensive income consist of the following:

	Note	**2019**	2018	2017
Investment properties:				
Condominium units and parking slots	11	**₱28,879,925**	₱28,914,929	₱25,589,567
Initial leasing cost	11	**4,367,237**	1,126,702	1,269,182
		33,247,162	30,041,631	26,858,749
Property and equipment	8	**44,910**	1,842	–
		₱33,292,072	₱30,043,473	₱26,858,749

The amortization of initial leasing cost is presented as "Commission" under "Costs of Services" account (Note 11). The depreciation of property and equipment is included in "Others" under "General and Administrative Expenses" account (Note 12).

8. Property and Equipment

Movements in this account are as follows:

		2019		
	Note	**Office Improvement**	**Office Equipment**	**Total**
Cost				
Balance at beginning of year		**₱–**	**₱22,098**	**₱22,098**
Additions		**1,025,974**	**336,107**	**1,362,081**
Disposal		**(870,536)**	**–**	**(870,536)**
Balance at end of year		**155,438**	**358,205**	**513,643**
Accumulated Depreciation				
Balance at beginning of year		**–**	**1,842**	**1,842**
Depreciation	7	**15,934**	**28,976**	**44,910**
Balance at end of year		**15,934**	**30,818**	**46,752**
		₱139,504	**₱327,387**	**₱466,891**

As at December 31, 2018, the carrying amount of office equipment amounted to ₱20,256. Depreciation recognized in 2018 amounted to ₱1,842 (Note 7).

In 2019, the Company sold office improvement to an entity under common management for ₱1.0 million. Gain on sale of office improvement amounted to ₱179,464 (Note 13).

9. Accounts and Other Payables

This account consists of:

	Note	**2019**	2018
Security deposits	16	**₱16,142,945**	₱16,726,450
Advance rent	16	**10,514,790**	16,743,271
Accruals for:			
Condominium dues	14	**812,778**	–
Professional fees		**806,000**	376,500
Taxes and licenses		**694,966**	–
Salaries, wages and employee benefits		**509,911**	–
Utilities		**468,210**	–
Directors' fees	14	**267,500**	–
Management fee	14	**120,000**	411,557
Commission		**99,687**	937,354
Others		**60,209**	–
Statutory payables		**1,541,857**	721,605
Reservation deposit		**135,970**	–
Deferred credits		**97,888**	88,982
Due to a related party	14	**50,537**	–
Others		**1,635,733**	1,671,945
		₱33,958,981	₱37,677,664

Accruals are normally settled within one year.

Statutory payables include output VAT, withholding taxes and government contributions, which are normally settled within the next month.

10. Equity

Capital Stock

This account consists of:

	2019		2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Common Shares						
Authorized:						
Balance at beginning of year - ₱10 par value	**8,800,000**	**₱88,000,000**	8,800,000	₱88,000,000	8,800,000	₱88,000,000
Recapitalization - ₱1 par value						
Reclassification from preferred shares	**277,000,000**	**277,000,000**	–	–	–	–
Effect of stock split	**79,200,000**	**–**	–	–	–	–
Balance at end of year	**365,000,000**	**₱365,000,000**	8,800,000	₱88,000,000	8,800,000	₱88,000,000
Issued and outstanding:						
Balance at beginning of year	**8,502,500**	**₱85,025,000**	8,502,500	₱85,025,000	8,501,000	₱85,010,000
Effect of stock split	**76,522,500**	**–**	–	–	–	–
Stock dividends	**49,000,000**	**49,000,000**	–	–	–	–
Issuance	**67,032,609**	**67,032,609**	–	–	1,500	15,000
Balance at end of year	**201,057,609**	**₱201,057,609**	8,502,500	₱85,025,000	8,502,500	₱85,025,000

	2019		2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares						
Authorized:						
Balance at beginning of year - ₱10 par value	**53,200,000**	**₱532,000,000**	53,200,000	₱532,000,000	53,200,000	₱532,000,000
Recapitalization - ₱1 par value						
Effect of stock split	**478,800,000**	**–**	–	–	–	–
Reclassification to common shares	**(277,000,000)**	**(277,000,000)**	–	–	–	–
Balance at end of year	**255,000,000**	**₱255,000,000**	53,200,000	₱532,000,000	53,200,000	₱532,000,000
Issued and outstanding:						
Balance at beginning of year	**25,500,000**	**₱255,000,000**	25,500,000	₱255,000,000	25,500,000	₱255,000,000
Effect of stock split	**229,500,000**	**–**	–	–	–	–
Balance at end of year	**255,000,000**	**₱255,000,000**	25,500,000	₱255,000,000	25,500,000	₱255,000,000

Preferred shares are non-voting, and redeemable at dates and in number of shares to be determined by the BOD.

On September 30, 2017, the BOD approved the declaration of cash dividends amounting to ₱31.3 million at ₱0.92 a share.

As discussed in Note 1, on March 7, 2019, the SEC approved the Company's change in authorized capital structure from 8,800,000 common shares at ₱10 par value a share and 53,200,000 preferred shares at ₱10 par value a share to 365,000,000 common shares at ₱1 par value a share and 255,000,000 preferred shares at ₱1 par value a share, respectively.

The change in par value in the Company's authorized capital resulted to an increase in common shares by 76,522,500 and an increase in preferred shares by 229,500,000.

The Company's BOD and stockholders declared stock dividends of 49,000,000 common shares at ₱1 par value a share equivalent to ₱49.0 million from the resulting increase in authorized common shares on January 30, 2019. The stock dividends were issued upon the approval of the change in authorized capital structure by the SEC.

On August 19, 2019, the Company's common shares were listed with the PSE. The Company offered 67,032,607 new common shares to the public at an offer price of up to ₱5.74 per share. Net proceeds from the IPO amounted to ₱360.0 million, net of offer expenses of ₱24.7 million (Notes 1 and 4).

Additional Paid-in Capital

Movements of additional paid-in capital in 2019 are as follows:

Balance at beginning of year	**₱–**
Additions	**317,244,357**
Costs of issuance	**(17,724,593)**
Balance at end of year	**₱299,519,764**

EPS

Basic and diluted EPS were computed as follows:

	2019	2018	₱2017
Net income	**₱36,884,680**	₱34,297,013	34,688,673
Divided by weighted average number of outstanding common shares:			
Balance at beginning of year	**8,502,500**	8,502,500	8,502,500
Effect of stock split	**76,522,500**	76,522,500	76,522,500
Effect of stock dividend	**49,000,000**	49,000,000	49,000,000
Issuance	**24,792,883**	–	–
	158,817,883	134,025,000	134,025,000
	₱0.23	₱0.26	₱0.26

11. Costs of Services

This account consists of:

	Note	**2019**	2018	2017
Depreciation	7	**₱28,879,925**	₱28,914,929	₱25,589,567
Commission	7	**4,367,237**	1,126,702	1,269,182
Salaries, wages and employee benefits		**3,373,297**	–	–
Taxes and licenses		**3,265,129**	3,171,590	3,037,143
Repairs and maintenance		**61,242**	57,789	298,711
		₱39,946,830	₱33,271,010	₱30,194,603

12. General and Administrative Expenses

This account consists of:

	Note	**2019**	2018	2017
Professional fees		**₱6,971,958**	₱921,516	₱350,170
Contracted services	14	**2,515,220**	–	–
Condominium dues	14	**1,323,371**	992,850	880,123
Provision for ECL	6	**1,089,473**	–	–
Salaries, wages and employee benefits		**1,063,430**	–	–
Taxes and licenses		**975,668**	1,314,534	930,773
Selling and marketing		**876,587**	–	–
Transportation and travel		**629,547**	1,051,856	89,728
Directors' fees	14	**590,000**	–	–
Registration and filing fees		**430,939**	–	–
Subscription		**243,684**	–	–
Management fee	14	**240,000**	1,440,000	1,390,200
Interest	16	**203,891**	341,636	274,196
Office supplies		**69,557**	5,584	20,366
Utilities		**60,327**	26,162	43,351
Others		**835,653**	432,352	266,037
		₱18,119,305	₱6,526,490	₱4,244,944

13. Other Income

This account consists of:

	Note	**2019**	2018	2017
Interest	5	**₱4,628,524**	₱632,739	₱786,347
Management fee	14	**302,336**	300,000	300,000
Gain on sale of office improvement	8	**179,464**	–	–
Penalties and charges		**310,171**	291,719	699,247
		₱5,420,495	₱1,224,458	₱1,785,594

Penalties and charges mainly consist of forfeitures from pre-terminated lease contracts and gain from liability extinguishment.

14. Related Party Transactions and Balances

The Company, in the normal course of its operations, has various transactions and balances with its related parties as described below:

Related Party	Nature of Transactions	Year	Transaction during the Period	Trade and Other Receivables (Note 6)	Due from Related Parties (Note 6)	Accounts and Other Payables (Note 9)	Due to Related Parties (Note 9)
Entities Under Common Management	Asset management	**2019**	**₱15,986,474**	**₱–**	**₱–**	**₱–**	**₱–**
		2018	–	–	–	–	–
	Contracted services (Note 12)	**2019**	**2,515,220**	**–**	**–**	**–**	**–**
		2018	–	–	–	–	–
	Commission expense	**2019**	**1,198,846**	**–**	**–**	**9,406**	**–**
		2018	937,354	–	–	937,354	–
	Condominium dues (Note 12)	**2019**	**1,323,371**	**–**	**–**	**812,778**	**–**
		2018	992,850	–	–	–	–
	Leasing revenue	**2019**	**809,400**	**–**	**–**	**–**	**–**
		2018	–	–	–	–	–
	Management income (Note 13)	**2019**	**302,336**	**–**	**–**	**–**	**–**
		2018	300,000	–	125,000	–	–
	Management fee (Note 12)	**2019**	**240,000**	**–**	**–**	**120,000**	**–**
		2018	1,440,000	–	–	411,557	–
	Noninterest-bearing cash advances	**2019**	**153,140**	**28,195**	**–**	**–**	**50,537**
		2018	90,000,000	–	–	–	–
Stockholders	Directors' fees (Note 12)	**2019**	**590,000**	**–**	**–**	**267,500**	**–**
		2018	–	–	–	–	–
	Noninterest-bearing cash advances	**2019**	–	**–**	**–**	**–**	**–**
		2018	899,840	–	899,840	–	–
		2019		**₱28,195**	**₱–**	**₱1,209,684**	**₱50,537**
		2018		–	1,024,840	1,348,911	–

Management Agreements
The Company has entered into management agreements with related parties under common management as follows:

- Asset management, legal and finance services agreement for a fixed monthly fee until February 28, 2019. Management fee expense amounted to ₱0.2 million in 2019 and ₱1.4 million in 2018 and 2017 (Note 12).
- Operational, financial and administration services agreement for a fixed monthly fee. Management income amounted to ₱0.3 million in 2019, 2018 and 2017 (Note 13).
- Asset management for a fixed monthly fee starting March 2019. Total asset management revenue in 2019 amounted to ₱15.9 million.
- Commission agreement for a predetermined fee. Commission revenue which is included as part of asset management revenue aggregated ₱1.6 million in 2019.

Service Agreement
On March 1, 2019, the Company entered into a service agreement with a related party under common management for a fixed monthly fee. The services rendered to the Company include finance, human resources, information and communication technology and internal audit services.

The agreement is for a period of one year and is renewable upon mutual agreement by the parties. Contracted services amounted to ₱2.5 million in 2019 (Note 12).

Compensation of Key Management Personnel
The compensation of key management personnel amounted to ₱2.5 million in 2019. This is mainly composed of salaries and other short-term employee benefits. In 2018, compensation of key management personnel was paid by a related party under common management and charged through a management fee to the Company.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are noninterest-bearing, unsecured, settled in cash, and are either payable on demand or settled within one year.

15. Income Tax

The current income tax expense represents regular corporate income taxes using optional standard deductions (OSD) in 2019, 2018 and 2017.

The reconciliation between the provision for income tax at statutory rate and the Company's tax expense as shown in the statements of comprehensive income is as follows:

	2019	2018	2017
Income tax at statutory tax rate	**₱14,444,933**	₱12,981,934	₱12,846,360
Tax effects of:			
Difference between OSD and itemized deductions	**(1,738,459)**	(3,779,486)	(4,424,498)
Interest income already subjected to final tax	**(1,388,557)**	(189,822)	(221,849)
Others	**(52,820)**	(36,526)	(67,487)
	₱11,265,097	₱8,976,100	₱8,132,526

The components of the Company's net deferred tax assets are as follows:

	2019	2018
Deferred tax asset:		
Advance rent	**₱3,692,523**	₱5,379,760
Allowance for ECL	**326,842**	–
	4,019,365	5,379,760
Deferred tax liabilities:		
Initial leasing cost	**336,585**	674,981
Accrued rent	**344,305**	372,320
	680,890	1,047,301
Net deferred tax asset	**₱3,338,475**	₱4,332,459

16. **Significant Contracts and Agreements**

Operating Lease Agreement - Company as a Lessor

The Company has various operating lease contracts with third parties and with a related party under common management for the lease of its condominium units and parking slots for varying periods (ranging from one up to six years) and renewable upon mutual agreement. These were subjected to certain escalation clauses ranging from 3% to 10% per year.

Total leasing revenue from these operating leases amounted to ₱84.8 million, ₱81.8 million and ₱75.5 million in 2019, 2018 and 2017, respectively, as shown in the statements of comprehensive income.

The aggregate future minimum annual rent receivables are as follows:

	2019	2018
Within one year	**₱45,648,285**	₱44,889,788
After one year but not more than five years	**20,970,901**	16,754,692
	₱66,619,186	₱61,644,480

Advance rent presented in the statements of financial position received by the Company in relation to the lease agreements are classified as follows:

	Note	**2019**	2018
Current	9	**₱10,514,790**	₱16,743,271
Noncurrent		**1,793,621**	1,189,262
		₱12,308,411	₱17,932,533

Security deposits are refundable at the end of the lease term. These security deposits are measured at amortized cost using the effective interest rate method at the inception of the lease agreements.

Roll forward analysis of security deposits is as follows:

	Note	**2019**	2018
Balance at beginning of year		**₱19,295,345**	₱21,743,654
Refund		**(3,441,523)**	(5,468,870)
Additions		**2,463,261**	2,678,925
Accretion of interest		**203,891**	341,636
Balance at end of year		**18,520,974**	19,295,345
Less current portion	9	**16,142,945**	16,726,450
Noncurrent portion		**₱2,378,029**	₱2,568,895

Roll forward analysis of deferred credits is as follows:

	Note	**2019**	2018
Balance at beginning of year		**₱320,112**	₱359,487
Amortization		**(176,067)**	(341,050)
Additions		**29,181**	301,675
Balance at end of year		**173,226**	320,112
Current portion	9	**(97,888)**	(88,982)
Noncurrent portion		**₱75,338**	₱231,130

Amortization of deferred credits is recorded as part of "Revenues" in the statements of comprehensive income.

17. Financial Risk Management Objectives and Policies

The Company's financial instruments are composed of cash and cash equivalents, short-term investments, trade receivables, due from related parties, security deposits, accruals, due to a related party and other payables. The main purpose of these financial instruments is to fund the Company's operations. The Company is exposed to financial risks which result from its operating activities. The key financial risks to which the Company is exposed to are credit risk and liquidity risk.

Credit Risk

The Company assessed that its exposure to credit risk is minimal. Trade receivables arise mainly from transactions with customers with good credit rating or bank standing. The Company regularly updates the status of accounts that remain uncollected beyond a reasonable period of time.

Further, the Company holds post-dated checks for most of its lease contracts to cover the trade receivables.

For due from related parties, management considers the current financial status of the related parties and their available assets to pay the outstanding receivables.

The Company's cash in banks, cash equivalents and short-term investments are deposited with highly reputable and pre-approved financial institutions with good credit standing in the local banking industry thus the management assessed that the ECL from these financial assets are very minimal.

There are no significant concentrations of credit risks within the Company.

Significant Increase in Credit Risk. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the borrower from the initial recognition and the result of the current probability of default.

Definition of Default. The Company considers a financial asset to be in default when a customer fails to pay the receivables in full or the receivable is more than 30 days past due.

The table below presents the summary of the Company's gross maximum exposure to credit risk, before taking into consideration any collateral and credit enhancements, and shows the credit quality of the financial assets by indicating whether these are subjected to 12-month or lifetime ECL

	2019			
	12-month ECL	**Lifetime ECL - Not Credit Impaired**	**Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱452,307,405**	**₱–**	**₱–**	**₱452,307,405**
Short-term investments	**50,311,667**	**–**	**–**	**50,311,667**
Trade receivables	**3,645,702**	**–**	**1,089,473**	**4,735,175**
	₱506,291,776	**₱–**	**₱1,089,473**	**₱507,381,249**

	2018			
	12-month ECL	Lifetime ECL - Not Credit Impaired	Credit Impaired	Total
Cash in banks and cash equivalents	₱74,992,849	₱–	₱–	₱74,992,849
Trade receivables	3,867,245	–	–	3,867,245
Due from related parties	1,024,840	–	–	1,024,840
	₱78,877,094	₱–	₱–	₱78,877,094

Liquidity Risk

Liquidity risk relates primarily to the Company's working capital requirements. The Company aims to manage working capital and maintain flexibility in funding.

The Company monitors its cash position by a system of cash forecasting. All expected collections, cash disbursements and other payments are determined to arrive at the projected cash position.

The Company has an outstanding line of credit with a local bank, in case of the need for financing arises.

The following table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018 based on contractual, undiscounted principal and interest payments:

	2019			
	Total	**On Demand**	**1 Year and below**	**Greater than 1 up to 5 Years**
Security deposits	**₱18,520,974**	**₱–**	**₱16,142,945**	**₱2,378,029**
Accruals	**3,839,261**	**3,839,261**	**–**	**–**
Due to a related party	**50,537**	**50,537**	**–**	**–**
Other payables	**1,635,733**	**1,635,733**	**–**	**–**
	₱24,046,505	**₱5,525,531**	**₱16,142,945**	**₱2,378,029**

	2018			
	Total	On Demand	1 Year and below	Greater than 1 up to 5 Years
Security deposits	₱19,295,345	₱–	₱16,726,450	₱2,568,895
Accruals	1,725,411	1,725,411	–	–
Other payables	1,671,945	1,671,945	–	–
	₱22,692,701	₱3,397,356	₱16,726,450	₱2,568,895

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Company considers the following as its core capital aggregating as follows:

	2019	2018
Capital stock	**₱456,057,609**	₱340,025,000
Additional paid-in capital	**299,519,764**	–
Retained earnings	**37,503,914**	49,619,234
	₱793,081,287	₱389,644,234

18. Fair Values of Financial Instruments

The following is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are reflected in the financial statements:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱452,334,407**	**₱452,334,407**	₱75,009,849	₱75,009,849
Short-term investments	**50,311,667**	**50,311,667**	–	–
Trade receivables	**2,556,229**	**2,556,229**	3,867,245	3,867,245
Due from related parties	**–**	**–**	1,024,840	1,024,840
	₱505,202,303	**₱505,202,303**	₱78,877,094	₱78,877,094

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Security deposits	**₱18,520,974**	**₱18,520,974**	₱19,295,345	₱19,295,345
Accruals	**3,839,261**	**3,839,261**	1,725,411	1,725,411
Due to a related party	**50,537**	**50,537**	–	–
Other payables	**1,635,733**	**1,635,733**	1,671,945	2,568,895
	₱24,046,505	**₱24,046,505**	₱22,692,701	₱23,589,651

The carrying amounts of cash and cash equivalents, short-term investments, trade receivables, due from related parties, accruals, due to a related party and other payables approximate their respective fair values due to the short-term nature and maturities of the accounts.

The fair value of security deposits is based on discounted cash flow methodology using the risk-free rates similar borrowings with maturities consistent with those of liabilities being valued. The discount rates used ranged from 1.73% to 6.94%, in 2019 and 2018.

In 2019 and 2018, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

19. Segment Information

The Company's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different market.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist primarily of operating cash and cash equivalents, receivables, investment properties and property and equipment, among others. Segment liabilities include all operating liabilities and consist primarily of accounts and other payables.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with operating income in the financial statements.

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. For management purposes, the Company is organized into business units based on the services rendered and has two reportable operating segments as follows:

- Leasing - This segment includes leasing of condominium units and parking slots in Kepwealth Center (previously Keppel Center) located in Cebu Business Park, Cebu City.

- Asset management - This segment includes management of various properties located across Metro Manila and commission on every unit which will be leased out by the Company on these properties.

Business Segment Information

The following table presents the revenues and expenses of the Company's business segments for the years ended 2019, 2018 and 2017 and certain assets and liabilities information as at December 31, 2019 and 2018.

	2019			
	Leasing	Asset Management	Corporate and Others	Total
Results of Operations				
Revenues				
Third parties	**₱83,999,543**	**₱–**	**₱–**	**₱83,999,543**
Related party	**809,400**	**15,986,474**	**–**	**16,795,874**
	84,808,943	**15,986,474**	**–**	**100,795,417**
Costs of services	**(38,933,510)**	**(1,013,320)**	**–**	**(39,946,830)**
Other operating expenses	**(9,420,744)**	**(1,238,111)**	**(7,460,450)**	**(18,119,305)**
Operating income (loss)	**36,454,689**	**13,735,043**	**(7,460,450)**	**42,729,282**
Interest income	**–**	**–**	**4,628,524**	**4,628,524**
Other income	**310,171**	**–**	**481,800**	**791,971**
Income tax expense	**(8,483,205)**	**(2,695,168)**	**(86,724)**	**(11,265,097)**
Net income	**₱28,281,655**	**₱11,039,875**	**(₱2,436,850)**	**₱36,884,680**
Assets and Liabilities				
Assets	**₱832,454,944**	**₱–**	**₱–**	**₱832,454,944**
Liabilities	**38,518,241**	**501,192**	**354,224**	**39,373,657**
Other Segment Information				
Capital expenditures:				
Investment properties	**₱3,531,640**	**₱–**	**₱–**	**₱3,531,640**
Property and equipment	**1,362,081**	**–**	**–**	**1,362,081**
Depreciation and amortization	**(28,924,835)**	**–**	**–**	**(28,924,835)**

	2018			
	Leasing	Asset Management	Corporate and Others	Total
Results of Operations				
Revenues				
Third parties	₱81,846,155	₱–	₱–	₱81,846,155
Related party	–	–	–	–
	81,846,155	–	–	81,846,155
Costs of services	(33,271,010)	–	–	(33,271,010)
Other operating expenses	(6,526,490)	–	–	(6,526,490)
Operating income	42,048,655	–	–	42,048,655
Interest income	632,739	–	–	632,739
Other income	291,719	–	–	291,719
Income tax expense	(8,922,100)	–	–	(8,976,100)
Net income	₱34,051,013	₱–	₱–	₱34,051,013
Assets and Liabilities				
Assets	₱433,494,805	₱–	₱–	₱433,494,805
Liabilities	43,796,571	–	–	43,796,571

	2018			
	Leasing	Asset Management	Corporate and Others	Total
Other Segment Information				
Capital expenditures:				
Investment properties	₱3,858,087	₱–	₱–	₱3,858,087
Property and equipment	22,098	–	–	22,098
Depreciation and amortization	28,916,771	–	–	28,916,771

	2017			
	Leasing	Asset Management	Corporate and Others	Total
Results of Operations				
Revenues				
Third parties	₱75,475,152	₱–	₱–	₱75,475,152
Related party	–	–	–	–
	75,475,152	–	–	75,475,152
Costs of services	(30,194,603)	–	–	(30,194,603)
Other operating expenses	(4,244,944)	–	–	(4,244,944)
Operating income	41,035,605	–	–	41,035,605
Interest income	786,347	–	–	786,347
Other income	699,247	–	300,000	999,247
Income tax expense	(8,078,526)	–	(54,000)	(8,132,526)
Net income	₱34,442,673	₱–	₱246,000	₱34,688,673
Other Segment Information				
Capital expenditures:				
Investment properties	₱53,353,569	₱–	₱–	₱53,353,569
Property and equipment	–	–	–	–
Depreciation and amortization	25,589,567	–	–	25,589,567

20. Notes to Statements of Cash Flows

The reconciliation of the Company's due to a related party arising from financing activities is presented below:

	2019	2018
Balance at beginning of year	**₱–**	₱62,886,700
Financing cash flows	**50,537**	(55,386,700)
Noncash item	**–**	(7,500,000)
Balance at end of year	**₱50,537**	₱–

21. Events After the Reporting Period

On March 6, 2020, the Company acquired two floors and eighteen parking slots at a commercial building located within Metro Manila for ₱184.4 million, inclusive of VAT (Note 4).

Moreover, the country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company operations and financial performance, however, cannot be reasonably determined as at the report date. Management, however, believes that with the Company's strong financial position it can readily meet its maturing obligations and continue as a going concern.

22. **Supplementary Information Required by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010**

Output VAT

Output VAT declared in 2019 is as follows:

	Gross amount of Revenues	Output VAT
Zero-rated sales	₱18,379,522	₱–
Sales subject to 12% VAT	76,166,788	9,140,015
Government sales	1,500,727	180,087
Total	96,047,036	9,320,102
Applied input VAT		2,558,932
VAT withheld on sales to government		75,037
VAT payments		5,623,227
		₱1,062,906

Revenue is based on gross receipts of the Company for VAT purposes while revenue presented in the statements of comprehensive income is recognized on accrual basis.

Input VAT

Movements in input VAT claimed by the Company for the year ended December 31, 2019 are shown below:

	Amount
Balance at beginning of year	₱–
Add: Current year's domestic purchases/payments for:	
Goods other than capital goods	298,164
Domestic purchase of services	1,946,492
Input tax deferred on capital goods exceeding ₱1.0 million	1,080,526
Total available input VAT	3,325,182
Input tax on sale to government closed to income	32,399
Amortization of deferred input VAT	(798,649)
Applied against output VAT	(2,558,932)
Balance at end of year	₱–

Other Local and National Taxes

Other local and national taxes paid by the Company in 2019 consist of:

	Amount
IPO tax	₱3,847,672
Real property tax	3,265,129
Documentary stamp tax	1,160,328
Business permits and registration fees	975,668
	₱9,248,797

The difference between the amount of taxes and licenses recognized in the statement of comprehensive income and the amount presented above pertains to IPO tax and documentary stamp tax charged against additional paid-in capital, in accordance with PFRS.

Withholding Taxes

Withholding taxes paid and accrued as at and for the year ended December 31, 2019 consist of:

	Paid	Accrued	Total
Expanded withholding taxes	₱908,374	₱265,223	₱1,173,597
Compensation and final withholding taxes	328,872	480,465	809,337
	₱1,237,246	₱745,688	₱1,982,934

Tax Assessment and Tax Cases

The Company has no outstanding tax assessments and tax cases as at December 31, 2019.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
KEPWEALTH PROPERTY PHILS., INC.
Unit IJ01-23 Burgundy Corporate Tower
252 Sen. Gil Puyat Ave.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of KEPWEALTH PROPERTY PHILS., INC. as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017 and have issued our report thereon dated June 19, 2020. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Schedules required under Annex 68-J of the Revised Securities Regulation Code (SRC) Rule 68 as at and for the year ended December 31, 2019
- Map of Ownership as at December 31, 2019
- Schedule of Application of Proceeds from Initial Public Offering as at December 31, 2019
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2019 and 2018
- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2019

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the financial statements taken as a whole.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
CPA Certificate No. 27455
Tax Identification No. 102-084-004-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 27455-SEC Group A
Valid until January 27, 2025
BIR Accreditation No. 08-005144-005-2019
Valid until October 16, 2022
PTR No. 8116470
Issued January 6, 2020, Makati City

June 19, 2020
Makati City, Metro Manila

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

	Formula		**2019**	2018
Current ratio	Total Current Assets	₱511,135,699	**14.55:1**	2.05:1
	Divide by: Total Current Liabilities	35,126,669		
	Current ratio	14.55		
Solvency Ratio	Income before income tax and depreciation	₱77,074,611	**1.96:1**	1.65:1
	Divide by: Total Liabilities	39,373,657		
		1.96		
Debt-to-equity Ratio	Total Liabilities	₱39,373,657	**0.05:1**	0.11:1
	Divide by: Total equity	793,081,287		
		0.05		
Asset-to-equity Ratio	Total assets	₱832,454,944	**1.05:1**	1.11:1
	Divide by: Total equity	793,081,287		
		1.05		
Interest rate coverage Ratio	Pretax income before interest	₱48,149,777	–	–
	Interest expense	–		
		–		
Profitability Ratio				
Return on equity	Net income	₱36,884,680	**10.97%**	29.19%
	Divide by: Average Equity	336,362,761		
		10.97%		
Return on total assets	Net income	₱36,884,680	**5.83%**	7.66%
	Divide by: Average Total Assets	632,974,875		
		5.83%		
Net income margin	Net income	₱36,884,680	**36.59%**	41.90%
	Divide by: Total Revenue	100,795,417		
		36.59%		
Gross margin	Gross income	₱60,848,587	**60.37%**	59.35%
	Divide by: Total Revenue	100,795,417		
		60.37%		

	Formula		**2019**	2018
Operating Margin	Income before Income Tax	₱48,149,777	**80.80%**	88.20%
	Add: Depreciation and Amortization	33,292,072		
	Interest Expense	–		
	Earnings Before Interest, Tax, Depreciation, and Amortization	₱81,441,849		
	Divide by: Total Revenue	100,795,417		
		80.80%		

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS AT DECEMBER 31, 2019

Unappropriated retained earnings, as shown in the financial statements at beginning of year	₱49,619,234
Balances at beginning of year of items affecting unappropriated retained earnings available for dividend declaration:	
Net deferred tax assets	(4,332,459)
Accrued rent resulting from straight-line recognition of rent income under Philippine Financial Reporting Standard (PFRS) 16, *Leases*	(1,241,066)
Unappropriated retained earnings, as adjusted to available for dividend distribution at beginning of year	44,045,709
Net income closed to retained earnings during the year	36,884,680
Adjustments:	
Decrease in:	
Net deferred tax assets	993,984
Accrued rent resulting from straight-line recognition of rent income under PFRS 16, *Leases*	93,383
Net income actually earned during the period	37,972,047
Less stock dividends declared during the year	(49,000,000)
Unappropriated retained earnings, as adjusted to available for dividend distribution at end of year	₱33,017,756

Reconciliation:	
Unappropriated retained earnings , as shown in the financial statements at end of year	₱37,503,914
Balances at end of year of items affecting unappropriated retained earnings available for dividend declaration:	
Net deferred tax assets	(3,338,475)
Accrued rent resulting from straight-line recognition of rent income under PFRS 16, *Leases*	(1,147,683)
Unappropriated retained earnings, as adjusted to available for dividend distribution at end of year	₱33,017,756

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULES AS REQUIRED UNDER ANNEX 68-E
OF THE REVISED SECURITIES REGULATIONS CODE RULE 68

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

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KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES and PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2019

			Deductions		Ending Balance		
Name and Designation of Debtor	Balance at Beginning of Year	Additions	Collected	Written Off	Current	Noncurrent	Balance at End of Year
Due from Stockholders:							
Crown Castle Holdings.Com Inc.	₱507,510	₱–	₱507,510	₱–	₱–	₱–	₱–
We Serve 24 Hours, Inc.	230,359	–	230,359	–	–	–	–
Euro Capital, Pte. Ltd.	107,981	–	107,981	–	–	–	–
Las Tuazon & Sons, Inc.	53,990	–	53,990	–	–	–	–
	₱899,840	₱–	₱899,840	₱–	₱–	₱–	₱–

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE C - INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2019

Name of Related Party	Balance at Beginning of Year	Balance at End of Year
Eurocapital Land, Inc.	₱–	₱50,537

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE E - CAPITAL STOCK

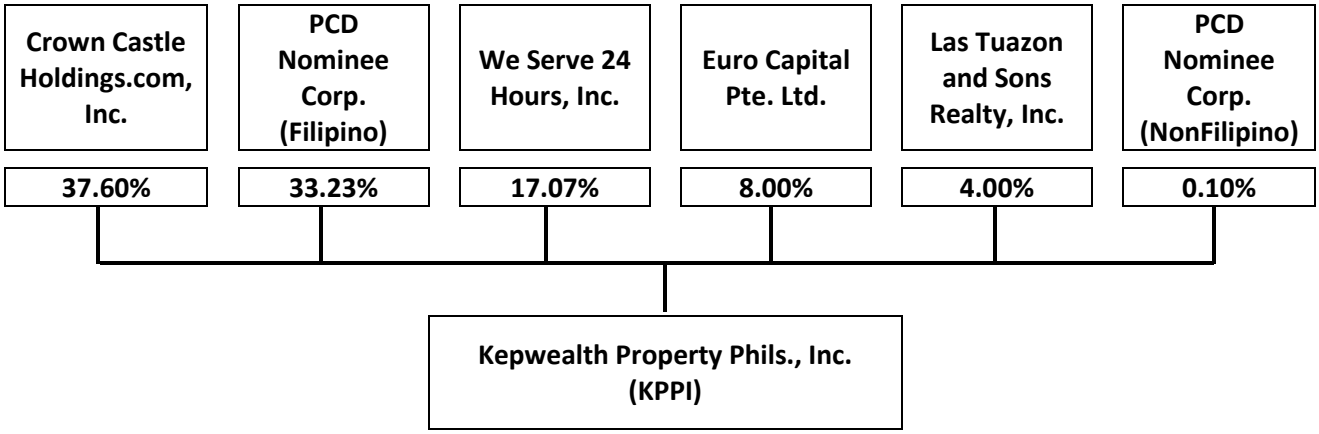
DECEMBER 31, 2019

Title of Issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by related parties	Directors officers and employees	Others
Common shares	365,000,000	201,057,609	–	134,024,950	52	67,032,607
Preferred shares	255,000,000	255,000,000	–	255,000,000	–	–

KEPWEALTH PROPERTY PHILS., INC.

MAP OF OWNERSHIP

DECEMBER 31, 2019



KEPWEALTH PROPERTY PHILS., INC.

SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

AS AT DECEMBER 31, 2019

	Estimated	Actual	Balance
Gross Proceeds	₱384,767,164	₱384,767,164	₱–
Offering Expenses	(21,739,481)	(24,740,979)	3,001,498
Net Proceeds	₱363,027,683	₱360,026,185	₱3,001,498

Details of the estimated and actual application of the proceeds:

	Estimated	Actual	Balance
Net Proceeds	₱384,767,164	₱384,767,164	₱–
Use of the Proceeds			
Acquisition of office space in:			
Metro Manila	(245,000,000)	–	(245,000,000)
Davao City	(120,000,000)	–	(120,000,000)
	(365,000,000)	–	(365,000,000)
Offering Expenses	(21,739,481)	(24,740,979)	3,001,498
Unapplied Proceeds	(₱1,972,317)	₱360,026,185	(₱361,998,502)