

# *Kalahi Realty, Inc.*

Suite 214-215, State Condominium IV  
Ortigas Avenue, Greenhills  
San Juan City, Philippines  
Telephone Nos. 8570-3639

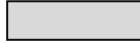
**KALAH REALTY INC\_SEC 17-Q\_14 MAY 2022**



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **March 31,2022**
2. SEC Identification Number **161872** 3. BIR Tax Identification No. **000-645-746-000**
4. Exact name of issuer as specified in its charter:  
**KALAH! REALTY INC.**
5. **Republic of the Philippines**  
**SAN JUAN, METRO MANILA**
6. (SEC Use Only)  
Industry Classification Code: 
7. **SUITE 214 STATE, COND. IV, ORTIGAS AVENUE**  
**GREENHILLS,SAN JUAN, M.M.**  
Address of principal office
- 1502  
Postal Code
8. **(02) 5703639**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common  
Stock Outstanding

**Class B Common**

**70,166,407**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ ] No [x]

If yes, state the name of such stock exchange and the classes of securities listed therein:

\_\_\_\_\_

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes ☒ On line submission on November 26,2021 SEC Form 17-C (CGFD) on April 30, 2021 SEC Form 17-A with AFS and SEC Form 20-IS on August 19,2021.

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

13. The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing at a book value per share of P2.02. The non-affiliates represent 19.34% of total voting shares.

## **PART I**

### **BUSINESS AND GENERAL INFORMATION**

#### **ITEM 1 . BUSINESS**

Kalahi Realty Inc.(KRI), is a stock corporation and was incorporated under the laws of the Republic of the Philippines on April 3, 1989 with registered office address at Suite 214, State Condominium IV, Ortigas Avenue, Greenhills, San Juan, Metro Manila

The company had not been encountering problems that may lead to bankruptcy, receivership or similar proceedings. Neither is there any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Kalahi Realty Inc. is primarily engaged in the acquisition by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind together with their appurtenances.

In its initial operation KRI acquired ownership and administration of the Dizon Townhouses on P. Guevarra St., San Juan, comprising 17 townhouse units and six(6) condominium units in the State Condominium IV Building in Ortigas Avenue, Greenhills. Subsequently KRI acquired by purchase additional two (2) in the same building.

Initiating its operation in the subdivision business KRI entered into a Joint Venture Agreement for the development and subdivision of a 74-hectare land located approximately five (5) kilometers away north of the City of San Fernando, Pampanga. Since this land was several hundred meters away from the main highway, i.e. Mac Arthur highway, KRI bought some pieces of land between the property and the highway to provide a direct and more convenient access road to and from the prospective subdivision. The piece of land acquired and located closest to the highway, with an area of two (2) hectares, was developed, the concrete roadway constructed and the areas on both sides of the road were converted into commercial lots. To date a total of 3 lots remained unsold while a total of 20 lots were already disposed.

While the 74 hectares was privately owned it was formerly a private agricultural land, it was tenanted and subjected to land reform by the Agrarian Reform Commission who awarded some areas for distribution to the farmer tenants. In order to prevent the division of the property into small and separate parcels of land ,KRI bought all the rights of the duly recognized tenants. Hence, the areas pertaining to the tenants together with some areas owned by the original owner also sold to KRI resulted in the ownership by KRI of 455,099 square meters out of the total 740,879 square meters, the balance of 285,780 square meters being retained by the original owner, subject to the Joint Venture Agreement.

KRI shares of stock are not registered for public sale with the Securities and Exchange Commission and the company is not listed in the Philippine Stock Exchange, KRI made it a point to assist stockholders by offering to buy shares of any stockholders who may

decide to convert their shares of stock into cash. On Dec. 31,2011 the company was able to reacquire an accumulated 7,840,280 shares at a total purchase price of P11,146,534.00 now classified as treasury shares.

On October 10, 2005 KRI entered into a Joint Venture Agreements with NATIVIDAD ALIMURUNG AND DIZON LANDS REALTY AND DEVELOPMENT CORP. (DLRDC) under two Joint Venture Agreements (JVA's) .These are for the development of the 771,296 square meters of land for subdivision into a residential community for sale to the public. The resulting net saleable area of the 30,417 square meters of land, covered by the first JVA, will be divided between the Company and DLRDC on a 50:50 basis. Under the second JVA, the net saleable area of the 740,879 square meters shall be divided among joint ventures under the agreed rates as follows:

Kalahi Realty Inc.	35.50 %
Natividad N. Alimurung	13.50%
DLRDC	50.00%

Under the JVAs , all costs and expenses in the development from land preparation to full completion of all requirements to convert the land of the Company and Natividad Alimurung to commercially attractive lots for sale to the public, shall be totally for the account of DLRDC, the developer.

The registrant is in the realty business and its areas of concentration at the moment are Bacolor Pampanga and City of San Fernando where it is developing a residential subdivision. As a result of the development activity there was the Phase I which is 100% complete comprising of ten (10) has. that yielded developed lots divided into abovementioned distribution ratio which KRI ( La Primavera project) shared ninety five (95) lots or approximately twenty seven thousand three hundred eighty five (27,385) square meters or 2.7 has. As of March. 31,2021 a total of sixty four (64) lots were already sold.

***As to the products or goods are or will be produced or services that are or will be rendered the registrant purely does and proposes up to the extent of leasing condo units and selling of Joint Venture lots.***

***Registrant sales contribution and net income mainly of local market only without any participation or any percentage of sales or revenues resulted from foreign sales . In which case it does not entail distribution methods of the products and services.***

***As a result of Joint Venture Agreement which was previously mentioned the company is dependent on sales force and strategy of JVA partner . It was also our experience that never from a single or few customers that the registrant business is solely dependent on generating revenues . Presently there are no major existing sales contracts so far entered. So much so that for the last nine (9) years the company merely relied on JVA partner for the development activities ,cost and effects of compliance with environmental laws. Nevertheless, for the past four years (4) no occurrence of problem with environmental regulations.***

***There was no publicly-announced new product or service so much so that no further engineering and product designing are necessary. In the same manner there were no principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements held.***

The principal products or services and markets have indicated a very significant contribution to total sales or revenues. Of the total revenues for the first quarter one hundred (100%) percents derived from rental income and bank interest respectively. The registrant is dependent on the approach of the JVA partner in the project by selling acceptable medium priced lots where other competitors have significant share of the market.

The participation of KRI is purely as a land owner. As stated in the joint venture contract the JVA partner was the in charge of marketing and selling. ***The registrant is negative in identifying the area of competition as it merely awaits JVA partner strategy on operations.***

As of March 31,2022 Phase I was fully developed despite there is a full blast maintenance that geared toward several sales where most of the revenues of the Company are emanating whereas Phase II is still under development .The company merely oversees how its JVA partner compete in the market. ***Being dependent from JVA partner it is not necessary to describe and itemize major existing contracts, approval of principal products and steps taken in complying with governmental regulations.***

As of March 31, 2022 KRI employs a total number of three (3) permanent and regular employees composed of a. President; b. Vice President/Treasurer ;and c. Utility Staff while other four personnel are categorized as Management/ Tech. consultants Chairman of the Board ,Chief Accountant, Corporate Secretary and Administrative Assistant. Employees are not subject to Collective Bargaining Agreement (CBA) and for the past twenty five years never a strike or dispute occurred. So much so that once the Government issued memo requiring adjustments for employees compensation and benefits the same is strictly adhered and effected.

***There are main risk/s involved from the Company's financial instruments among others, credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks.***

## **ITEM 2. PROPERTIES**

Kalahi Realty Inc. (KRI) owns for development a total of 50.5 hectares of land between **San Isidro, Bacolor and Del Rosario, San Fernando in Pampanga**. Of the total the two(2) has. were located on the front and along the McArthur Highway in San Fernando, Pampanga developed and made available for sale and only three (3) lots remained unsold and reserved. The company also owns eight (8) office units at the **State Condominium IV, Ortigas, San Juan, Metro Manila**. Two (2) units are currently being used as offices by CMD & KRI. Of remaining six(6) units five (5) are occupied and being rented while one (1) unit is still vacant as of March 31,2021 .

On April 1,2012 the registrant bought one (1) unit Condominium located at **PSE Exchange Centre Cond. Corp. Building, Ortigas Center, Pasig City** as part of expansion plan and that the property is now under rental.

The registrant has complete ownership of the above-mentioned properties and not one of these properties is mortgaged. ***Also in the past and ensuing board meetings there are no resolutions wherein the company intends to acquire properties in the next 12 months.***

### **ITEM 3. LEGAL PROCEEDINGS**

*KRI has no pending legal proceedings of which any of its property .*

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

*The annual meeting of the stockholders was held virtually on November. 25, 2021. The details under this item are contained in the minutes of stockholders and directors meetings filed with the commission.*

## **PART II OPERATIONAL AND FINANCIAL INFORMATION**

### **ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

#### **(1) Market Information**

Not Applicable

#### **(2) Holders**

*KRI has a total of 70,166,407 outstanding Common Class A shares (net of 7,840,280 treasury shares). As of March 31, 2022, the company has 2,624 (inclusive of KRI own treasury shares) stockholders on*



The top twenty (20) stockholders of the registrant as of March 31, 2022 are as follows:

	<b>STOCKHOLDERS</b>		<b>SHARES</b>	<b>%</b>
1	Lordiz and Co., Inc.	FILIPINO	10,360,350	14.77%
2	Diz-Marc Fortunes, Inc.	FILIPINO	10,156,459	14.47%
3	Little Flower Corporation	FILIPINO	6,615,632	9.43%
4	Markeisha Development Corporation	FILIPINO	5,607,343	7.99%
5	Fordjem Enterprises Inc.	FILIPINO	4,707,504	6.71%
6	Marcel Holdings Corporation	FILIPINO	4,481,304	6.39%
7	Lutgarda D. Lacson	FILIPINO	3,945,833	5.62%
8	Lourdes D. Dizon &/Or Fortunata D. Matsuda Account	FILIPINO	2,011,492	2.87%
9	Teresita D. Dizon	FILIPINO	1,865,374	2.66%
10	Carllo, Inc.	FILIPINO	1,828,268	2.61%
11	Juver Enterprises Inc.	FILIPINO	1,231,345	1.75%
12	Gibraltar Mining Enterprises, Inc.	FILIPINO	1,161,950	1.66%
13	Acrodiz Estate Realty & Development Corporation	FILIPINO	960,177	1.37%
14	Lourdes D. Dizon	FILIPINO	747,973	1.07%
15	Michael O. Uy	FILIPINO	480,500	0.68%
16	Abacus Securities Corporation	FILIPINO	466,419	0.66%
17	Elma Laguinia	FILIPINO	412,500	0.59%
18	Dizon-Jose Realty & Dev't. Corp.	FILIPINO	351,301	0.50%
19	Joel D. Matsuda.	FILIPINO	356,180	0.51%
20	Juvencio D. Dizon &/or Veronica C. Dizon	FILIPINO	234,235	0.33%
	Subtotal		57,982,139	82.64%
	OTHER STOCKHOLDERS		20,024,548	17.36%
	Subtotal		78,006,687	
	LESS : TREASURY SHARES		(7,840,280)	
	TOTAL SHARES		<b>70,166,407</b>	100.00%

### **(3) Dividends**

*The retained earnings are restricted for distribution as dividends to the extent of P11,146,534 representing the cost of treasury shares while most of the remaining balance is reserved for future plan of acquiring properties for development. There were no cash nor stock dividends declared during the year 2021 and for the quarter ended March. 31,2022.*

### **(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction**

*There are no recent sales of unregistered securities.*

## **ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATION**

Comparative amounts of revenues, expenses, assets, liabilities and stockholders' equity are as follows (million):

	<b>3/31/2022</b>	<b>12/31/2021</b>	<b>3/31/2021</b>
Revenues	P .462	P 4.397	P .503
Other Income	.242	2.169	.228
Cost of Sales & rental Income	(.034)	(.512)	(.257)
Operating Expenses	(1.137)	(4.482)	(1.468)
Provision for Income Tax		(.020 )	
Asset	146.866	145.384	143.582
Liabilities	4.914	2.964	3.707
Equity	141.952	140.420	139.875

### **Results of operations for the three months ended March 31,2022 compared to three months ended March 31,2021.**

For the three months ended March 31,2022, KRI's net loss from its business normal operations registered a decrease of 52.96% or P.526 million from P.994 million net income in 2021 to P.468 million net income in 2022.

#### ***Revenues***

The revenues went down by 23.46% or a decrease of P.154 million from P.503 million for the first quarter of 2021 compared to P.657 million for the same quarter last year. The decrease brought about by the decline in number of lessee/renter due to the effect of pandemic which resorted to terminate their business.

Interest income for the three months ended March 31,2022 increased by 6.28% or by P.014 million from P.226 million in 2021 to P.241 million in 2022 of the same quarter. The increase was due to high interest rates of bank placements.

#### **Costs**

**Cost** of real estate sales and rental services decreased by P.223 million or 86.57% from P.257 million in 2021 to P.034 in 2022 due to most of investment assets are fully depreciated already.

#### **Gross Profit**

Gross profit margin for real estate sales and services increased by P.182 million or 73.88% .

#### **Expenses**

Operating expenses decreased by P.331 million or 22.52% during this quarter as compared to same quarter in 2021. The decrease was due to selling and marketing expenses as compensated by the increase in personnel and taxes and licenses expenses.

#### **Financial Condition as of March 31,2022 compared to December 31,2021.**

As of March 31,2022 KRI total assets stood at P146.866 million higher by 1.02% or by P1.482 million than the P145.384 million total assets as of December 31,2021. The following are the material changes in account balance:

##### ***34.07% Increase in Cash and Cash Equivalents***

The increase is mainly due better collections of contract receivable and interest earned on bank placements.

##### ***47.20% Net Decrease in Contract Receivables***

The decrease was due to collection during the period. .

##### ***12.37% Decrease in Other Receivables***

The decrease was due to liquidation of advances to report..

##### ***.00% Variance in Real Estate Inventories***

There are changes since no lots sold.

##### ***10.16% Decrease in Investment Properties***

The decrease was mainly due to depreciation only.

##### ***40.73% Increase in Property and Equipment***

The increase was to additional acquisition of office equipment slightly reduced by depreciation.

##### ***6.06% Increase in Accounts Payable, Accrued Expenses and Other liabilities***

The increase mainly due to output VAT payable .

##### ***165.09% Increase in Contract Liabilities***

This increase was due to substantial down payments on contracts made this quarter as compared to last year same quarter.

##### ***.33% Decrease in Stockholders Equity***

The decrease mainly due to net loss incurred this quarter .

***The Company's balance sheet remains attractive & strong with sufficient capacity to carry out its aggressive growth plans in the following years***

## KEY PERFORMANCE INDICATORS:

**1.1.CURRENT RATIO** - Measures ability to meet currently maturing obligations from existing current assets.

**March 31,2022**

CURRENT ASSETS : P 116,466,345.00  
CURRENT LIAB. - P 3,661,753.00 = 31.80617 : 1

**December 31,2021**

CURRENT ASSETS - P 114,951,909.00  
CURRENT LIAB. - P 1,712,107.00 = 67.14061 : 1

Current assets are sufficient to cover ,if any, current obligations.

**2.1.DEBT TO EQUITY RATIO** – Measures the relative amount of resources provided by shareholders and creditors. Indicates extent of leverage used and creditor protection in case of insolvency.1

**March 31,2022**

TOTAL LIABILITIES : P 4,913,590.00  
STOCKHOLDERS EQUITY P 141,952,845.00 = .03461 : 1

**December 31,2021**

TOTAL LIABILITIES : P 2,963,945.00  
STOCKHOLDERS EQUITY P 142,420,416.00 = .020811: 1

The creditors are very much protected in case of insolvency meaning the company has good indication to meet its long term obligations, (if any).

**3.1 RETURN ON STOCKHOLDERS EQUITY RATIO** – Measures rate of earnings on resources provided by shareholders.

**March 31,2022**

NET INCOME (LOSS) ( P 467,571.00)  
STOCKHOLDERS EQUITY P 141,952,845.00 = (.32938%)

**March 31,2021**

NET INCOME(LOSS) - ( P 860,017.00)  
STOCKHOLDERS EQUITY P 140,009,026.00 = (.614258%)

The ratio in current quarter indicates favourable result in yielding revenue to recover investment .

**4.1 EARNINGS PER SHARE (EPS)** – Measures the amount of earnings attributable to each share of common stock.

NET INCOME(Loss) ( P 467,571.00)  
NO. OF SHARES OUTSTANDING P 70,166,407.00 = (.00666)

For the three months operations the company showed unprofitable operation one indication the company could hardly recover its investment.

**5.1 EQUITY RATIO** - Measures total investment provided by stockholders.

**March 31,2022**

STOCKHOLDERS EQUITY	<u><b>P 141,952,845.00</b></u>	
TOTAL ASSETS	<b>P 146,866,435.00</b>	= .966543: 1

**December 31,2021**

STOCKHOLDERS EQUITY	<u><b>P 142,420,416.00</b></u>	
TOTAL ASSETS	<b>P 145,384,161.00</b>	= .979614 : 1

The total investments provided by the stockholders indicate a very favourable venture.

**5.2 CREDITORS' EQUITY TO TOTAL ASSETS** – Measures the amount resources provided by creditors.

**March 31,2022**

TOTAL LIABILITIES	<u><b>P 4,913,590.00</b></u>	
TOTAL ASSETS	<b>P 146,866,435.00</b>	= .033456 : 1

**December 31,2021**

TOTAL LIABILITIES	<u><b>P 2,963,945.00</b></u>	
TOTAL ASSETS	<b>P 145,384,161.00</b>	= .020387 : 1

The company's indication of being solvent is realistic and the same would be in relatively good long term financial standing.

As earlier mentioned, since the company operates at a profit for the three months ended March 31,2022 indicating a sound financial condition of the company such that the company is fully solvent to pay its operating expenses and other obligations even in the coming years without having to resort to borrowing funds from outside creditors. This is evidenced by the company's over-all liquidity ratio of **29.88984:1**. This was derived by getting the quotient of Total assets **P146.866** million over Total liabilities **P4.914** million. Because of this, the company believes that it will not have any cash flow nor liquidity problems within the next 12 months. It has no outstanding loan nor any indebtedness that have not been paid within the stated trade terms.

## **(5) Other Disclosures**

*Except as indicated in the Notes to financial statements and management's Discussion and Analysis of Financial Conditions and Results of Operations, there are no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.*

*The accounting policies and methods of computation adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the preparation of the Company's financial statements as of and for the year ended March 31,2022.*

*There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from the continuing operations..*

*Except for income generated from leasing, there are no seasonal aspects that have a material effect on the Company's financial conditions or results of operations. There are no unusual operating cycles or seasons that will differentiate the operations for the period January to March 2022 from the operations of the rest of the year.*

*There are no changes in estimates of amounts reported in prior year (2020) that have material effects in the current interim period.*

*Except as discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, and Financial Risk Exposures, there are no material events subsequent to March 31,2022 up to the date of this report that have not been reflected in the financial statements for the interim period.*

*There are no material contingencies and any other events or transactions affecting the current interim period.*

*There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the company.*

*Except for those discussed above ,there are no material changes in the financial statements of the Company from December 31,2021 to March 31,2022.*

*There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with entities or other persons created during the reporting period other than those that were previously reported.*

*The Company has no material commitments for capital expenditures and any significant elements of income or loss that did not arise from operations and seasonal aspects that had a material effect on the financial condition or results of operations.*

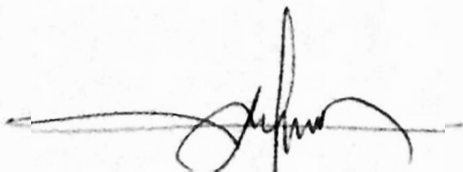
*There are no other information required to be reported that have not been previously reported in SEC Form 17-C..*

Pursuant to the requirements of the Securities Regulation Code, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**KALAHI REALTY, INC.**



**FRANKLIN D. MATSUDA**  
President/Chairman of the Board



**VALENTINO M. TROBADA**  
Chief Accountant

**KALAHİ REALTY INC.**  
**COMPARATIVE BALANCE SHEET**  
**AS OF MARCH 31, 2022 & DECEMBER 31, 2021**

		March 31, 2022	(AUDITED) Dec. 31, 2021
<b>A S S E T S</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	P	12,906,053	P 9,626,168
Receivables and advances		63,757	72,757
Short Term Investments- Time deposits		11,451,437	11,451,437
Short Term Investments in Treasury Bonds		32,146,800	32,146,800
Installment Receivables - Current		1,774,211	3,360,025
Real Properties for sale & dev't.		57,661,457	57,661,457
Prepayments & other current assets		462,631	633,468
Total Current Assets		<u>116,466,345</u>	<u>114,952,111</u>
<b>NON-CURRENT ASSETS</b>			
Investment Properties		305,439	339,989
Property & Equipment-Net		8,258	5,868
Installment Receivables - Non-Current		1,625,165	1,625,165
Deferred Tax Assets		2,888	2,888
Long Term Investment in Bonds		28,458,341	28,458,341
Total Non-current Assets		<u>30,400,091</u>	<u>30,432,251</u>
<b>TOTAL ASSETS</b>	P	<u><b>146,866,436</b></u>	<u><b>P 145,384,362</b></u>

**LIABILITIES & STOCKHOLDERS EQUITY**

<b>CURRENT LIABILITIES</b>			
Accounts Payable and accrued expenses	P	584,770	P 551,374
Customers Deposit		3,076,983	1,160,733
Income Tax Payable		0	0
Deferred Gross Profit		<u>0</u>	<u>0</u>
Total Current Liabilities		<u>3,661,753</u>	<u>1,712,108</u>
<b>NON-CURRENT LIABILITY</b>			
Accrued Retirement Liability		1,251,837	1,251,837
Deferred Income Tax Liability		<u>0</u>	<u>0</u>
Total Non Current Liability		1,251,837	1,251,837
<b>TOTAL LIABILITIES</b>	P	<u><b>4,913,590</b></u>	<u><b>P 2,963,945</b></u>
<b>STOCKHOLDERS' EQUITY</b>			
Capital Stock Issued		78,006,687	78,006,687
Retained Earnings		75,092,692	75,560,264
Treasury Stock		<u>(11,146,534)</u>	<u>(11,146,534)</u>
		<u>141,952,845</u>	<u>142,420,417</u>
<b>TOTAL LIABILITIES and STOCKHOLDERS EQUITY</b>	P	<u><b>146,866,435</b></u>	<u><b>P 145,384,362</b></u>

**KALAHİ REALTY INC**  
**COMPARATIVE BALANCE SHEET**  
**AS OF MARCH 31, 2021 & MARCH 31, 2022**

		March 31, 2022	March 31, 2021
<b>A S S E T S</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	P	12,906,053	P 9,411,089
Receivables and advances		63,757	15,170



Short Term Investments- Time deposits	11,451,437	46,732,332
Short Term Investments in Treasury Bonds	32,146,800	
Installment Receivables - Current	1,774,211	2,805,379
Real Properties for sale & dev't.	57,661,457	57,814,331
Prepayments & other current assets	462,631	271,456
Total Current Assets	<u>116,466,345</u>	<u>117,049,758</u>
<b>NON-CURRENT ASSETS</b>		
Investment Properties	305,439	441,987
Property & Equipment-Net	8,258	1
Installment Receivables - Non-Current	1,625,165	1,043,739
Deferred Tax Assets	2,888	
Long Term Investment in Bonds	28,458,341	25,046,800
Total Non-current Assets	<u>30,400,091</u>	<u>26,532,527</u>
<b>TOTAL ASSETS</b>	<b>P <u>146,866,436</u></b>	<b>P <u>143,582,285</u></b>

#### LIABILITIES & STOCKHOLDERS EQUITY

<b>CURRENT LIABILITIES</b>		
Accounts Payable and accrued expenses	P 584,770	P 629,985
Customers Deposit	3,076,983	1,726,363
Income Tax Payable	0	0
Deferred Gross Profit	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>3,661,753</u>	<u>2,356,348</u>
<b>NON- CURRENT LIABILITY</b>		
Accrued Retirement Liability	1,251,837	1,063,778
Deferred Income Tax Liability	<u>0</u>	<u>287,064</u>
Total Deferred Tax Liability	1,251,837	1,350,842
<b>TOTAL LIABILITIES</b>	<b>P <u>4,913,590</u></b>	<b>P <u>3,707,189</u></b>
<b>STOCKHOLDERS' EQUITY</b>		
Capital Stock Issued	78,006,687	78,006,687
Retained Earnings	75,092,692	73,014,943
Treasury Stock	<u>(11,146,534)</u>	<u>(11,146,534)</u>
	<u>141,952,845</u>	<u>139,875,096</u>
<b>TOTAL LIABILITIES and STOCKHOLDERS EQUITY</b>	<b>P <u>146,866,435</u></b>	<b>P <u>143,582,285</u></b>

#### KALAHİ REALTY INC STATEMENTS OF COMPREHENSIVE INCOME January to March 2021 & 2022

	Jan.-Mar. 2022	Jan.-Mar. 2021
<b>REVENUES</b>		
Real Estate Sales	P 0	P 0
Rental Income	<u>461,861</u>	<u>502,963</u>
	<b>461,861</b>	<b>502,963</b>
<b>COST OF R.E. SALES &amp; RENTAL SERVICES</b>	<u>(34,550)</u>	<u>(257,214)</u>
<b>GROSS PROFIT</b>	<b>427,311</b>	<b>245,749</b>
<b>OPERATING EXPENSES</b>	(1,137,256)	(1,467,842)
<b>OTHER INCOME (CHARGES)</b>		
Interest Income	240,874	226,647
Other Income	<u>1,500</u>	<u>1,500</u>

INCOME/(LOSS) BEFORE INCOME TAX	(467,571)	(993,946)
PROVISION FOR INCOME TAX	-	-
NET INCOME	P (467,571) P	(993,946)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	(467,571)	(993,946)
BASIC/DILLUTEDEARNINGS/(LOSS) PER SHARE	(0.0067) P	(0.0142)

\*\*Computed using the weighted average number of shares of 70,166,407

**KALAHİ REALTY INC.**  
**COMPARATIVE CASH FLOW**  
**January to March 2022 & 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income / (Loss)	P (467,571) P	(993,946)
Adjustment to reconcile Net Income / (Loss)		
Depreciation & Other adjusment	35,100	257,214
Operating (Loss) Income before working capital changes	(432,471)	(736,732)
Decrease (Increase) in:		
Installment receivables	1,585,814	498,345
Other receivables	9,000	284,609
Prepayment and other current assets	170,837	(36,310)
Real properties held for dev't. & sale	0	0
Increase ( Decrease) in :		
Accts. Payable/accrued exp. & other current liab.	33,395	(33,527)
Customers Deposit	1,916,250	1,067,206
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>3,282,825</b>	<b>1,043,591</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)Decrease in Property & Equipment	(2,940)	0
(Increase) Decrease in short term investments	0	(195,252)
(Increase) Decrease in Acquisition of Property	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(2,940)</b>	<b>(195,252)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of treasury shares	0	0
<b>NET (DEC) INC. IN CASH &amp; CASH EQUIVALENT</b>	<b>3,279,885</b>	<b>848,339</b>
CASH & CASH EQUIVALENTS		
January 1, 2022 & 2021	9,626,168	8,562,750
<b>ENDING BALANCE - 1st Qtr. (March 31)</b>	<b>P 12,906,053 P</b>	<b>9,411,089</b>

**KALAHI REALTY, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED MARCH 31, 2022**

	CAPITAL STOCK	RETAINED EARNINGS	TREASURY SHARES AT COST	TOTAL
BALANCES AT DECEMBER 31, 2020	78,006,687	74,008,890	(11,146,534)	140,869,043
NET INCOME		(860,017)		(860,017)
BALANCES AT MARCH 31, 2021	78,006,687	73,148,873	(11,146,534)	140,009,026
NET INCOME		2,411,391		2,411,391
BALANCES AT DECEMBER 31, 2021	78,006,687	75,560,264	(11,146,534)	142,420,417
NET INCOME		(467,571)		(467,571)
<b>BALANCES AT MARCH 31, 2022</b>	<b>78,006,687</b>	<b>75,092,693</b>	<b>(11,146,534)</b>	<b>141,952,846</b>

# **KALAHI REALTY, INC.**

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## **NOTES TO FINANCIAL STATEMENTS**

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### **1. Corporate Information and Authorization for Issuance of Financial Statements**

Kalahi Realty, Inc. (the Company) was incorporated in the Philippines on April 4, 1989. The Company is primarily engaged in the acquisition by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds, whether to improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind together with their appurtenances.

The Company's registered business address is Suite 214 State Condominium IV, Ortigas Avenue, Greenhills, San Juan City.

The financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 4, 2022.

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### **2. Basis of Preparation, Statement of Compliance and Change in Accounting Policies and Disclosures**

#### Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest Philippine peso, except when otherwise indicated.

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have significant impact on the financial statements of the Company.

- *Philippine Interpretations Committee (PIC) Q&A 2018-12-H*

On July 8, 2021, SEC issued SEC Memorandum Circular No. 8 requiring real estate companies to apply the presentation requirements of PIC Q&A No. 2018-12-H effective on or after January 1, 2021 using either full retrospective approach or modified retrospective approach. PIC Q&A 2018-12-H provides guidance on accounting for Common Usage Service Area (CUSA) Charges.

The Company adopted the PIC Q&A using the full retrospective approach.

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

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

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

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Company adopted the amendments beginning January 1, 2021.

#### Standards Issued but not yet Effective

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

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

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

*Effective beginning on or after January 1, 2024*

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

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

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### 3. **Summary of Significant Accounting and Financial Reporting Policies**

#### Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current or noncurrent classification.

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and deferred tax liabilities are classified as noncurrent assets and liabilities, respectively.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

#### Determination of Fair Value

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

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

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

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

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

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

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

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

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

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. 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. The Company obtains the fair value of its nonfinancial assets every three years through the use of an independent appraiser.

#### “Day 1” Difference

Where the transaction price in a non-active market is different from the fair value based on 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 (“Day 1” difference) in the profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where data used are not observable, the difference between the transaction price and model value is recognized in the 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.

## Financial Instruments

### *Initial Recognition and Measurement of Financial Instruments*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). Financial liabilities are classified and measured as financial liability at FVPL and amortized cost.

The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company’s business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

### *Subsequent Measurement*

Subsequent to initial recognition, the Company classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
  - with recycling of cumulative gains and losses upon derecognition (debt instruments)
  - with no recycling of cumulative gains and losses upon derecognition (equity instruments)

The Company has no financial assets classified at FVPL and FVOCI as at December 31, 2021 and 2020.

### *Financial Assets at Amortized Cost (Debt Instruments)*

The Company measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset gives rise, on specified dates, to cash flows that are SPPI.

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

The Company’s financial assets at amortized cost include cash and cash equivalents, investments in bonds and treasury bills presented as “Investments in debt instruments” and trade and other receivables.



#### *Other Financial Liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization

(or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes rental deposits and accounts payables and other current liabilities, excluding advance rentals and statutory liabilities.

#### *Impairment of Financial Assets*

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

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

The Company considers a financial asset in default when contractual payments are past due.

However, in certain cases, the Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

## Derecognition of Financial Assets and Financial Liabilities

### *Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company’s continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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 exchange or modification is treated as a derecognition of the original liability. The difference in the respective carrying amounts is recognized in the profit or loss.

### Real Properties Held for Development and Sale

Real properties held for development and sale are carried at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of business, less costs of completion and the estimated cost to make the sale. Land and land development include properties held for future development and properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost incurred for the development and improvement of the properties includes land cost, amounts paid to contractors for construction and development and borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

### Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments that are expected to be realized within 12 months after the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

### Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, excluding the costs of day-to-day servicing.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the statement of comprehensive income in the year of retirement or disposal.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

	Number of Years
Construction equipment	5
Office equipment	2-5

The residual values, if any, useful lives and method of depreciation of the assets are reviewed and adjusted, if appropriate, at each reporting date and adjusted prospectively.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

### Investment Properties

Investment properties are carried at cost, less accumulated depreciation and any accumulated impairment in value. Depreciation commences when the investment properties are available for use. Depreciation is computed using the straight-line method over the estimated useful life of 25 years. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

The residual amounts, useful life and depreciation method are reviewed periodically to ensure that the estimated residual values, and the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of investment property. Depreciation ceases at the earlier of the date the item is classified as held-for-sale or upon derecognition of the investment properties.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Transfers between investment properties, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

#### Impairment of Non-financial Assets

The carrying values of property and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The Company assesses at each reporting date whether there is an indication that an asset is impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. The recoverable amount is the greater of fair value less cost to sell and value-in-use. Valuation allowances are provided for the carrying amounts of assets which are not expected to be recovered. Impairment losses, if any, are recognized in profit or loss. A previously recognized loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase.

#### Interest in Joint Operations

The Company recognizes in its financial statements in relation to its interests in joint operations: (a) assets, including its share of any assets held jointly; (b) liabilities, including its share of any liabilities incurred jointly; (c) revenue from the sale of its share of the output arising from the joint operation; (d) share of the revenue from the sale of the output by the joint operation; and © expenses, including its share of any expenses incurred jointly.

#### Deposits

Mainly represent collections from buyers of real estate properties which will be applied against installment receivables upon recognition of revenue. This account also comprised of rental deposits paid by the Company's lessees which will be refunded at the end of the lease term, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged lease properties, if any.

#### Capital Stock

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to the 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settled the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### Treasury Shares

The Company's common shares which are reacquired (treasury shares) are deducted from equity at cost. No gain or loss is recognized in the profit or loss on the purchase, sale or cancellation of the Company's common shares.

#### Retained Earnings

Retained earnings represent the cumulative balance of period net income or loss, dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

#### Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements.

#### Sale of Real Estate

Revenue from sale of real estate properties, where a sufficient down payment has been received, the collectability of the sales price is reasonably assured, the receivables are not subordinated and the seller is not obligated to complete improvements, is accounted for using the full accrual method.

For sale of real estate under installment basis, full revenue recognition is applied when more than 25% of the contract price has been collected in the year of sale.

#### Cost of Real Estate Sales

Cost of subdivision land sold is determined with reference to the specific cost incurred on the acquisition cost of the land.

#### Information about Company's Performance Obligation

The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

#### Contract Balances

##### *Installment Receivables*

Installment receivables represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### *Contract Assets*

Contract assets pertain to unbilled revenue from sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. Contract asset is reclassified to installment receivable from real estate buyers when the periodic amortization of the customer becomes due for collection.

##### *Contract Liabilities*

These pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Collections from buyers of real estate properties are recognized as revenue once the Company's revenue threshold is reached.

#### Expenses

Expenses are charged to operations when incurred.

### Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

### Retirement Benefits

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset in profit or loss
- Remeasurements of net defined benefit liability or asset in OCI

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

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

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

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

### Income Taxes

### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

### *Deferred Income Tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

#### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. Deferred output VAT is also recognized for the unpaid portion of receivable from the sales transactions. When input VAT exceeds output VAT, the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

#### Provisions

Provisions are recognized when the Company has an obligation at reporting date as a result of a past event, it is probable that the Company will be required to transfer economic benefits in settlement, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense.

#### Contingencies

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

#### Earnings Per Share

Basic earnings per share is computed by dividing net income during the year by the weighted average number of common shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

#### Operating Segment

For purposes of segment reporting, the Company's only primary activity and operating segment is real estate. This represents 100% of the total revenue in 2020, 2019 and 2018.

#### Events After the End of the Reporting Period

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



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#### 4. Significant Accounting Judgments, Estimates and Assumptions

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

##### 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 amounts recognized in the financial statements.

##### *Existence of a Contract*

The Company's primary document for a contract with a customer is the signed contract to sell. In cases wherein the contract to sell is not signed by both parties at report date, other signed documents including the reservation agreement, official receipts, quotation sheets and other documents are considered to contain the basic elements to qualify as a contract with the customer under PFRS 15.

Part of the Company's assessment process for revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

##### *Revenue recognition method and measure of progress*

The Company concluded that revenue for real estate sales is to be recognized over time because: (a) The Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. Further, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. In evaluating whether collectability of an amount of consideration is probable, the significance of the customer's initial payments in relation to the total contract price (TCP) is given consideration, that is at least 25% of the TCP.

The Company has determined that put method used in measuring the progress of the performance obligation faithfully depicts Company's performance in transferring control of real estate development to the customers.

#### *Classification of Joint Arrangements*

The Company determines the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The Company assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. The Company classified joint arrangements with Natividad N. Alimurung (NNA) and Dizon Land Realty and Development Corporation (DLRDC) as joint operations. As such, the Company recognizes and measures the assets and liabilities (and recognizes the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant PFRS applicable to the particular assets, liabilities, revenues and expenses (see Note 8).

#### *Distinction between Real Properties Held for Development and Sale, Investment Properties and Property and Equipment*

The Company determines whether a property qualifies as real properties held for development and sale. In making this judgment, the Company considers whether the property will be sold in the ordinary course of business. For investment properties, the Company considers whether the property generates cash flows largely independent of the other assets and is held primarily to earn rentals or for capital appreciation. Property and equipment is held for use in the supply of goods or services or for administrative purposes. The Company considers each property separately in making its judgment.

#### *Determination of Operating Lease Commitments - the Company as Lessor*

The Company has entered into commercial property leases on its investment properties portfolio. The Company has determined that it retains all the significant risks and reward of ownership of these properties which are leased out on operating leases.

#### Estimates

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follows:

#### *Revenue and Cost Recognition*

The Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate and construction contracts is recognized principally using the full accrual method.

#### *Estimating Impairment of Receivables and Contract Assets*

The Company uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the customers' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. These reserves are re-evaluated and adjusted as additional information is received. The Company regularly performs a regular review of the age and status of these accounts, designed to identify accounts for impairment.

The carrying values of installment receivables and contract assets and other receivables amounted to ₱4,985,190 and ₱72,757, respectively, as at December 31, 2021, and ₱4,347,463 and ₱299,779, respectively, as at December 31, 2020 (see Notes 6 and 7). No provision for impairment losses was recognized in 2021 and 2020.

#### *Determination of NRV of Real Properties Held for Development and Sale*

The Company's estimates of the NRVs of real properties held for development and sale are based on the most reliable evidence available at the time the estimates are made, of the amount that these assets are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

A new assessment is made on NRV in each subsequent period. When the circumstances that previously caused inventories to be written-down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

The Company's real properties held for development and sale amounted to ₱57,661,457 and ₱57,814,331 as at December 31, 2021 and 2020, respectively (see Note 8).

#### *Estimation of the Useful Lives of Investment Properties*

The Company estimates the useful lives of investment properties based on the internal technical evaluation and experience with similar assets. Estimated useful lives of the investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

There were no changes in the estimated useful lives of the Company's investment properties in 2021 and 2020.

Depreciation expense of investment properties amounted to ₱359,212 in 2021 and ₱1,028,855 in 2020 and 2019, respectively (see Note 11).

#### *Recognition of Deferred Tax Assets*

The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces the amounts to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized amounted to ₱440,460 and ₱331,133 as at December 31, 2021 and 2020, respectively. Unrecognized deferred assets arising from NOLCO and MCIT as at December 31, 2021 amounted to ₱135,920 as management believes it is not probable that sufficient taxable profits will be available against which the future income tax deductions can be utilized (see Note 18).

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## 5. Cash and Cash Equivalents

	12/31/2021	3/31/2022
Cash on hand	<b>₱50,000</b>	₱50,000
Cash in banks	<b>9,576,168</b>	12,849,655
Short-term deposits	<b>11,451,437</b>	11,451,437
	<b>₱21,077,605</b>	₱24,351,092

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits consist of time deposits made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective time deposit rates.

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**6. Installment Receivables and Contract Assets**

	12/31/2021	3/31/2022
Due within one year*	<b>₱3,360,025</b>	₱1,774,211
Due after one year*	<b>1,625,165</b>	1,625,165
	<b>₱4,985,190</b>	₱3,399,376

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There is no provision for impairment losses recognized in 12/31/2021 and 3/31/2022.

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**7. Other Receivables**

	12/31/2021	3/31/2022
Rental receivable	<b>₱30,357</b>	₱30,357
Interest receivable	—	
Others	<b>42,400</b>	33,400
	<b>₱72,757</b>	₱63,757

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Others include advances to officers and employees which are noninterest-bearing and are expected to be settled within the next financial year.

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**8. Real Properties Held for Development and Sale**

Real properties held for development and sale pertain to land and land development carried at cost amounted to ₱57,661,457 and ₱57,661,457 as at December 31, 2021 and 3/31/2022, respectively.

The Company has two Joint Venture Agreements (JVAs) entered into with NNA and DLRDC for the development of the 771,296 square meters of land for subdivision into a residential community for sale to the public. Under the first JVA, the Company and DLRDC will share on a 50:50 basis for the first 30,417 square meters net saleable area.

Under the second JVA, the remaining net saleable area of the 740,879 square meters shall be divided among the joint operators under the agreed rates as follows:

The Company	36.5%
NNA	13.5%
DLRDC	50.0%

Under the JVAs, all costs and expenses in the development, from land preparation to full completion of all requirements to convert the land of the Company and NNA to commercially attractive lots for sale to the public, shall be totally for the account of DLRDC, the developer. There are no commitments and contingent liabilities that should be disclosed related to the JVA.

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**9. Property and Equipment**

	12/31/2021		
	Construction Equipment	Office Equipment	Total
<b>Cost</b>			
Balance at beginning of year	<b>P349,488</b>	<b>P275,068</b>	<b>P624,556</b>
Additions	–	<b>6,602</b>	<b>6,602</b>
Ending balances	<b>349,488</b>	<b>281,670</b>	<b>631,158</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	<b>349,488</b>	<b>275,068</b>	<b>624,556</b>
Depreciation	–	<b>733</b>	<b>733</b>
Balance at end of year	<b>349,488</b>	<b>275,801</b>	<b>625,289</b>
<b>Net Book Values</b>	<b>P–</b>	<b>P5,869</b>	<b>P5,869</b>

	3/31/2022		
	Construction Equipment	Office Equipment	Total
<b>Cost</b>			
Balance at beginning of year	<b>P349,488</b>	<b>P281,670</b>	<b>P631,158</b>
Addition		<b>2,940</b>	<b>2,940</b>
Total	<b>349,488</b>	<b>284,610</b>	<b>634,098</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	<b>349,488</b>	<b>275,801</b>	<b>625,289</b>
Depreciation	–	<b>550</b>	<b>550</b>
Balance at end of year	<b>349,488</b>	<b>276,351</b>	<b>625,839</b>
<b>Net Book Values</b>	<b>P</b>	<b>P8,259</b>	<b>P8,259</b>

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**10. Investment Properties**

This account consists of condominium units held for rental. The movements are as follows:

	12/31/2021	3/31/2022
Cost	<b>P26,057,507</b>	<b>P26,057,507</b>
Accumulated depreciation:		
Balance at beginning of year	<b>25,358,306</b>	<b>25,717,518</b>
Depreciation	<b>359,212</b>	<b>34,550</b>
Balance at end of year	<b>25,717,518</b>	<b>25,752,068</b>
	<b>P339,989</b>	<b>P305,439</b>

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**11. Customers' Deposits and Contract Liabilities**

	12/31/2021	3/31/2022
Rental deposits	<b>P650,733</b>	<b>P650,733</b>
Contract liabilities	<b>510,000</b>	<b>2,426,250</b>
	<b>P1,160,733</b>	<b>P3,076,983</b>

Contract liabilities pertain to collections from buyers of real estate properties which will be recognized as revenue upon reaching the 25% threshold.

There were no forfeitures of contract liabilities' deposits in 2021 and 2020.

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

The Company's financial assets and financial liabilities comprise cash and cash equivalents, short-term investments, investment in bonds, installment receivables and contract assets, other receivables, and accounts payable and other current liabilities (excluding statutory liabilities), which arise directly from its operations.

The main risks from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks and are summarized as follows:

#### Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimized and monitored by limiting the Company's associations to business parties with high creditworthiness. Installment and other receivables are monitored on an ongoing basis through the Company's management reporting system.

In the Company's real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments/deposits made by the customer in favor of the Company and retain ownership of the property. The Company has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments. The Company deals only with financial institutions duly evaluated and approved by the BOD.

#### *Cash and Cash Equivalents and Investment in Debt Instruments*

Cash and investments in debt instruments are considered negligible since the counterparties are reputable banking institutions with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term investments which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every deposit account per banking institution.

#### *Receivables*

The Company's financial assets are categorized based on the Company's collection experience with counterparties.

#### Liquidity Risk

Liquidity risk arises from the possibility that an entity will encounter difficulty in raising funds to meet associated commitments with financial instruments. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated funds from operations.

The Company's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

*Financial Assets.* The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected dates the assets will be realized.

*Financial Liabilities.* The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date.

#### Capital Management

The primary objective of the Company is to ensure that it maintains a strong financial position and its financial performance in order to support its operating activities, objectives and its capital expenditures.



The following table summarizes the total capital considered by the Company:

	2021	2020
Capital stock	<b>P78,006,687</b>	P78,006,687
Retained earnings	<b>75,560,263</b>	74,008,883
	<b>153,566,950</b>	152,015,570
Less treasury shares at cost	<b>11,146,534</b>	11,146,534
	<b>P142,420,416</b>	P140,869,036

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### 13. Fair Value Measurement and Disclosures

#### *Installment Receivables and Contract Assets - Net of Current of Portion*

The fair value of the noncurrent installment receivable is determined by discounting the future cash flow using the prevailing market rates for instruments with similar maturities as at December 31, 2021 and 2020, ranging from 3.20% to 3.84% and 2.60% to 2.72% (Level 3), respectively. An increase or decrease in the discount rates used would decrease or increase the fair value of the financial asset.

#### *Investment in Bonds and Treasury Bills*

The fair value of the investment in bonds and treasury bills is determined by discounting the future cash flow using the prevailing market rates for instruments with similar maturities as at December 31, 2021, ranging from 2.63% to 2.72%. An increase or decrease in the discount rates used would decrease or increase the fair value of the financial asset.

#### *Cash and Cash Equivalents, Installment Receivables and Contract Assets - Current, Other Receivables Short-term Investments, and Accounts Payable and Other Current Liabilities*

The carrying values approximate fair values due to the short-term nature of the balances.

As at December 31, 2021 and 2020, the Company has no financial instruments measured at fair value.

#### Assets for which fair value disclosure is required

##### *Investment Properties*

The fair value of the Company's investment properties amounting to P55,638,032 based on the appraisal report dated April 13, 2018 was determined using the Market Data Approach (see Note 11) and is classified under Level 3 of the fair value hierarchy.

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

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### 14. Operating Segments

The Company is primarily engaged in the acquisition by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds, whether to improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind together with their appurtenances and considers such as its primary activity and only operating segment. Management monitors the operating results (net sales and net income) of the Company for the purpose of making decisions about resource allocation and performance assessment.