

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

socinfo@socres.com.ph

Company's Telephone Number

(02) 8804-1978

Mobile Number

N/A

No. of Stockholders

358

Annual Meeting (Month / Day)

05/25

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ronna C. De Leon

Email Address

info@socres.com.ph

Telephone Number/s

(02) 8804-1977

Mobile Number

09175364732

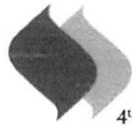
CONTACT PERSON'S ADDRESS

4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200

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

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





SOCResources, Inc.

4th Flr. ENZO Building 399 Senator Gil Puyat Avenue, Makati City
Metro Manila, Philippines 1200

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

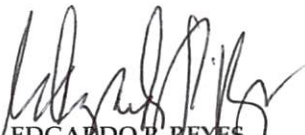
The management of SOCResources, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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


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

SYCIP GORRES VELAYO & CO., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


EDGARDO P. REYES
Chairman/Chief Executive Officer


WILFRIDO P. REYES
President


BELEN R. CASTRO
Vice President/Treasurer


ZOSIMO L. PADRO, JR.
Vice President - Finance

SUBSCRIBED AND SWORN to before me this **APR 15 2021** day of _____ 2021 affiants exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes	OSCA	29858	Mar 25, 2009	Makati City	N/A
Wilfrido P. Reyes	OSCA	14683	Feb 05, 2007	Makati City	N/A
Belen R. Castro	OSCA	23231	Apr 29, 2008	Makati City	N/A
Zosimo L. Padro, Jr.	IBP	36869	N/A	Manila	N/A

Doc. No.: 422
Page No.: 86
Book No.: 94
Series of 2021.

ATTY. GEORGE DAVID D. SITON

NOTARY PUBLIC FOR MAKATI CITY

APPL. NO. 1-332- UNTIL DEC. 31, 2021

ROLL NO. 68402/ MCLE COMPLIANCE NO. VI-0021936/3-29-21

IBP O.R. No. 2275859-LIFETIME MEMBER MAY. 8, 2017

PTR No. 8533056- JAN 04, 2021- MAKATI CITY

EXECUTIVE OFFICE, CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SOCResources, Inc.
4th Floor Enzo Building
399 Senator Gil Puyat Avenue
Makati City 1200

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SOCResources, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

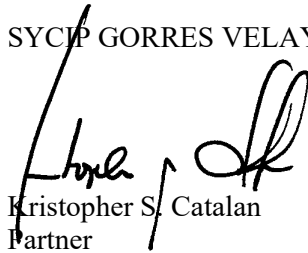


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 19 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SOCResources, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2020,
November 27, 2020, valid until November 26, 2023

PTR No. 8534231, January 4, 2021, Makati City

May 5, 2021



SOCRESOURCES, INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱514,325,616	₱517,536,471
Receivables (Note 5)	4,710,768	5,304,696
Prepayments and other current assets (Note 6)	5,621,963	5,425,600
Total Current Assets	524,658,347	528,266,767
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVTOCI) (Note 7)	43,874,723	43,208,458
Advances to and investment in a subsidiary (Notes 8 and 13)	1,227,498,241	1,227,498,241
Property and equipment (Note 9)	1,326,911	2,171,154
Other noncurrent assets	1,217,762	102,500
Total Noncurrent Assets	1,273,917,637	1,272,980,353
TOTAL ASSETS	₱1,798,575,984	₱1,801,247,120
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Note 10)	₱720,769	₱926,200
Noncurrent Liabilities		
Retirement benefits obligation (Note 11)	5,341,547	4,978,711
Deferred tax liabilities - net (Note 12)	3,348,750	3,498,750
Total Noncurrent Liabilities	8,690,297	8,477,461
Total Liabilities	9,411,066	9,403,661
Equity		
Common stock (Note 14)		
Issued	601,389,569	601,389,569
Subscribed	76,292,500	76,292,500
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated	745,000,000	745,000,000
Unappropriated	285,765,213	289,332,659
Other comprehensive income (Notes 7 and 11)	13,407,146	12,518,241
Treasury stock	(4,961,650)	(4,961,650)
Equity	1,789,164,918	1,791,843,459
TOTAL LIABILITIES AND EQUITY	₱1,798,575,984	₱1,801,247,120

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2020	2019
INCOME		
Interest income (Notes 4 and 5)	₱9,015,631	₱18,278,993
Dividend income (Note 7)	124,890	386,287
	9,140,521	18,665,280
COSTS AND EXPENSES		
Personnel costs	(4,270,059)	(4,278,744)
Professional fees	(2,167,145)	(2,234,411)
Travel and transportation	(2,118,957)	(2,281,846)
Depreciation and amortization (Note 9)	(867,779)	(702,471)
Research and development costs	(661,998)	(3,139,265)
Foreign exchange loss - net	(324,901)	(241,472)
Taxes and licenses	(299,436)	(307,705)
Telecommunications and postage	(290,746)	(191,545)
Short-term lease (Note 15)	(261,000)	(246,600)
Dues and subscription	(108,650)	(125,575)
Supplies	(104,953)	(197,792)
Exploration cost	(79,680)	(1,127,290)
Utilities	(64,684)	(48,051)
Repairs and maintenance	(53,256)	(69,996)
Trainings and seminars	(26,107)	(156,508)
Entertainment and representation	(23,101)	(122,813)
Others	(985,515)	(1,235,401)
	(12,707,967)	(16,707,485)
INCOME (LOSS) BEFORE INCOME TAX	(3,567,446)	1,957,795
PROVISION FOR INCOME TAX (Note 12)	—	—
NET INCOME (LOSS)	(3,567,446)	1,957,795
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized valuation gain (loss) on equity investments at FVTOCI (Note 7)	816,265	(9,081,578)
Actuarial gain (loss) on defined benefit plan (Note 11)	72,640	(582,491)
	888,905	(9,664,069)
TOTAL COMPREHENSIVE LOSS	(₱2,678,541)	(₱7,706,274)
Basic/Diluted Earnings (Loss) Per Share (Note 17)	(₱0.0040)	₱0.0022

See accompanying Notes to Parent Company Financial Statements



SOCRESOURCES, INC.

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Common Stock (Note 14)		Additional	Retained Earnings (Note 14)		Other Comprehensive Income (Notes 7 and 11)	Treasury Stock (Note 14)	Total
	Issued	Subscribed	Paid-in Capital	Appropriated	Unappropriated			
BALANCES AT DECEMBER 31, 2018	₱600,559,569	₱76,500,000	₱72,272,140	₱745,000,000	₱287,374,864	₱22,182,310	(₱4,961,650)	₱1,798,927,233
Net income	—	—	—	—	1,957,795	—	—	1,957,795
Other comprehensive loss	—	—	—	—	—	(9,664,069)	—	(9,664,069)
Total comprehensive loss	—	—	—	—	1,957,795	(9,664,069)	—	(7,706,274)
Issuance of stock (Note 14)	830,000	(207,500)	—	—	—	—	—	622,500
BALANCES AT DECEMBER 31, 2019	601,389,569	76,292,500	72,272,140	745,000,000	289,332,659	12,518,241	(4,961,650)	1,791,843,459
Net loss	—	—	—	—	(3,567,446)	—	—	(3,567,446)
Other comprehensive income	—	—	—	—	—	888,905	—	888,905
Total comprehensive loss	—	—	—	—	(3,567,446)	888,905	—	(2,678,541)
BALANCES AT DECEMBER 31, 2020	₱601,389,569	₱76,292,500	₱72,272,140	₱745,000,000	₱285,765,213	₱13,407,146	(₱4,961,650)	₱1,789,164,918

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱3,567,446)	₱1,957,795
Adjustments for:		
Interest income (Notes 4 and 5)	(9,015,631)	(18,278,993)
Depreciation and amortization (Note 9)	867,779	702,471
Dividend income (Note 7)	(124,890)	(386,287)
Retirement benefit expense (Note 11)	435,476	475,005
Unrealized foreign exchange loss	324,901	241,472
Operating loss before working capital changes	(11,079,811)	(15,288,537)
Changes in:		
Receivables	58,295	(53,710)
Prepayments and other assets	(196,363)	(245,491)
Accounts payable and other liabilities	(205,431)	27,255
Cash used in operations	(11,423,310)	(15,560,483)
Interest received	9,561,404	18,198,223
Net cash flows from (used in) operating activities	(1,861,906)	2,637,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment received from a related party (Note 13)	–	96,000,000
Acquisition of property and equipment (Note 9)	(23,536)	(377,358)
Dividends received	114,750	407,277
Advances to agricultural projects	(1,115,262)	(91,125)
Net cash flows from (used in) investing activities	(1,024,048)	95,938,794
CASH FLOWS FROM A FINANCING ACTIVITY		
Proceeds from additional issuance of stock (Note 14)	–	622,500
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(324,901)	(241,472)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,210,855)	98,957,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	517,536,471	418,578,909
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱514,325,616	₱517,536,471

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information and Approval and Authorization of the Parent Company Financial Statements

Corporate Information

SOCResources, Inc. [formerly South China Resources, Inc.] (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (SOC Land; the Subsidiary) was incorporated in the Philippines and registered with the SEC on November 25, 2010 (see Note 8).

The registered office address of the Parent Company is 4th floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200.

Approval and Authorization of the Parent Company Financial Statements

The parent company financial statements as at December 31, 2020 and 2019 and for the years then ended were approved and authorized for issue by the BOD on May 5, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis except for equity investments at fair value through other comprehensive income (FVTOCI) that have been measured at fair value. The parent company financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest peso, except when otherwise indicated.

The accompanying parent company financial statements have been prepared under the going concern assumption. The Parent Company believes that it would remain relevant despite challenges posed by the Corona Virus Disease (COVID 19) pandemic.



Statement of Compliance

The Parent Company's separate financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the parent company financial statements, and are also filed with the Philippine SEC. These may be obtained at the Parent Company's registered office address.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Parent 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 pronouncements did not have any significant impact on the financial statements of the Company.

- *Amendments to PFRS 3, Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Parent Company enter into any business combinations.

- *Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- *Conceptual Framework for Financial Reporting issued on March 29, 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.



The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

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, 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The adoption has no significant impact to the Parent Company.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, 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 Parent Company shall also disclose information about:

- The 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 amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Parent Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- *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*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

Effective beginning on or after January 1, 2023

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period



- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- **PFRS 17, *Insurance Contracts***

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

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***

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Parent Company continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2020 on the parent company financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.



Summary of Accounting Policies

The significant accounting policies that have been used in the preparation of the parent company financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on whether it is current and noncurrent classification.

An asset is 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 twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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 Parent 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 non-financial 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 Parent 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 parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of 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 of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

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

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

As of December 31, 2020 and 2019, the Parent Company has no non-financial asset carried at fair value. In addition, the Parent Company has neither assets nor liabilities with recurring and non-recurring fair value measurements.

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 date of placements and that are subject to an insignificant risk of change in value.

Short-term Investments

Short-term investments include investments that the Parent Company has made that is expected to be converted into cash within one year.

Financial Instruments

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

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through profit or loss (FVTPL) and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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



level.

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

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at December 31, 2020 and 2019, the Parent Company does not have any financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVTPL.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest 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 Parent Company's financial assets at amortized cost includes cash and cash equivalents, receivables, security deposit presented under prepayments and other current assets.

Financial assets designated at FVTOCI (equity instruments)

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

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



The Parent Company elected to classify irrevocably its listed equity investments and golf club shares under this category.

Derecognition

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 parent company statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or,
- the Parent Company has transferred its rights 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent 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 Parent Company could be required to repay.

Impairment of financial assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. 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 ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. Both life time ECL and 12 months' ECL are calculated on either an individual basis or a collective basis, depending on the nature of the financial instruments.

For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risks investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from the external



credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

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

For financial assets at amortized costs being individually assessed for ECLs, the Parent Company applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Parent Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations on time (i.e., when contractual payments are 90 days past due), or there is a breach of other contractual terms, such as covenants. In certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, liabilities at amortized cost, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Parent Company's financial liabilities include accounts payable and other liabilities (excluding statutory payables).

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Liabilities at amortized cost

This is the category most relevant to the Parent Company. After initial recognition, interest-bearing liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the parent company statement of comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an



exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the parent company statement comprehensive income.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the parent company statement of financial position. The Parent Company has currently enforceable right when 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 Parent Company and all of the counterparties.

Prepayments and Other Current Assets

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

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 parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Any excess which will be claimed as tax credits or recoverable from the taxation authority within twelve (12) months or within the normal operating cycle is presented as part of “Prepayments and other current assets” in the parent company statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated net realizable value. Output VAT payable to the taxation authority is included as part of “Accounts payable and other liabilities” account in the parent company statement of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.



Depreciation commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Number of Years</u>
Transportation equipment	5
Office furniture and equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date that the asset is derecognized.

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Investment in a Subsidiary

Investment in a subsidiary is accounted for at cost less any impairment in value. A subsidiary is an entity which the Parent Company controls. A company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All dividends received are reflected as income in profit or loss.

The Parent Company recognizes income from its investment in a subsidiary when its right to receive dividends is established. As of December 31, 2020 and 2019, the Parent Company's investment in subsidiary pertains to its investment in SOC Land, a company incorporated and domiciled in the Philippines.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If



such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Retirement Benefits

The Parent Company has an unfunded, non-contributory, defined benefit retirement obligation.

The Parent Company recognizes the net defined benefit liability or asset which 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 retirement plan is 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
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine 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 actuary.

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

Net interest on the net defined benefit liability or asset is recognized as an expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through profit or loss in the period in which they occur. Re-measurements are not reclassified to the parent company statement in comprehensive loss in subsequent periods.

Common Stock and Additional Paid-in Capital

The Parent Company has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable



to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivable pertains to the uncollected portion of the subscribed shares. Subscription receivable is presented as deduction from equity if the subscription receivable is not expected to be collected within 12 months after reporting period. Otherwise, the subscription receivable is presented as current asset.

Retained Earnings

The amount included in retained earnings includes profit and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company’s BOD. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard’s transitional provisions.

Appropriated retained earnings represent the portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent accumulated earnings which can be declared as dividends to stockholders.

Other Comprehensive Income (OCI)

OCI comprises items of income and expenses, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other standards.

Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company’s own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Parent Company and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-up capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria should also be met before revenue is recognized.

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate. Effective interest is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses incurred in the general administration



of day-to-day operation of the Parent Company are generally recognized when the service is used or the expense arises.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

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 recoverable 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 reporting date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the parent company statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Prepayments and other current assets" account in the parent company statement of financial position.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the 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 carryforward benefits of unused MCIT and unused NOLCO can be utilized before their expiration.

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

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



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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the foreign exchange rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Leases

The Parent Company as a lessee

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company's sole lease contract qualifies as a short-term lease.

Short-term leases and Low-value assets

The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption, where applicable, to leased assets that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the parent company financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the parent company financial statements.

Events after the Reporting Period

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



3. Significant Accounting Judgments, Estimates and Assumptions

The parent company financial statements prepared in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect amounts reported in the parent company financial statements and related notes. The judgments, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

Judgment

Assessment of impairment of nonfinancial assets

The Parent Company assesses impairment on property and equipment, investment in a subsidiary, input VAT and prepayments whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

As of December 31, 2020 and 2019, there were no impairment indicators that would lead to impairment analysis.

Estimates and Assumptions

Estimation of retirement benefits liability and expense

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rate and salary increase rate. Actual results that differ from the Parent Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and liability in such future period. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect retirement benefits expense and liability. Retirement benefits costs charged to operations for the years ended December 31, 2020 and 2019 amounted to ₱0.44 million and ₱0.48 million, respectively. Retirement benefits liability amounted to ₱5.34 million and ₱4.98 million as at December 31, 2020 and 2019, respectively (see Note 11).



Recognition of deferred income tax assets

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As at December 31, 2020 and 2019, the Parent Company did not recognize deferred income tax assets on deductible temporary differences and carryforward benefits of unused NOLCO amounting to ₱12.28 million and ₱12.62 million, respectively (see Note 12).

4. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	₱11,939,050	₱11,415,276
Cash equivalents	502,386,566	506,121,195
	₱514,325,616	₱517,536,471

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates.

Interest income earned amounted to ₱9.02 million and ₱18.28 million in 2020 and 2019, respectively. Outstanding accrued interest receivable related to the cash equivalents amounted to ₱0.31 million and ₱0.86 million as of December 31, 2020 and 2019, respectively (see Note 5).

5. Receivables

	2020	2019
Receivable from officers and employees	₱4,043,481	₱4,114,834
Accrued interest (Note 4)	312,820	858,593
Due from a related party (Note 13)	256,445	243,387
Others	98,022	87,882
	₱4,710,768	₱5,304,696

Receivables from officers and employees pertain to advances which are settled through liquidation.

Other receivables as of December 31, 2020 and 2019 include receivable for cash dividends declared by domestic corporation for which the Parent Company owns shares amounted to ₱0.09 million and ₱0.08 million, respectively. This is expected to be collected within the next financial year.

No impairment loss on receivables was recognized in 2020 and 2019. The Parent Company believes that the ECL is not significant since the receivables from officers and employees are deductible through salary deductions and are effectively being collateralized by unpaid retirement benefits of these employees. The accrued interest is considered to be low risk credit investments as these are held by reputable institutions with good standing as published by external credit rating agencies.



6. Prepayments and Other Current Assets

	2020	2019
Prepayments	₱3,521,478	₱3,526,219
Input VAT	1,967,356	1,771,407
Security deposit (Note 15)	99,180	93,798
Supplies	33,949	34,176
	₱5,621,963	₱5,425,600

Prepayments consists of prepaid taxes and insurance.

7. Equity Investments at FVTOCI

	2020	2019
Golf club shares	₱34,250,000	₱35,250,000
Listed equity investments	9,624,723	7,958,458
	₱43,874,723	₱43,208,458

The Parent Company's equity investments at FVTOCI pertain to investments in shares of stock of various publicly-listed companies and golf club shares.

The fair value of quoted club share is determined by reference to published price quotation.

The fair values of listed equity investments are based on the quoted market price that is readily and regularly available in the Philippine Stock Exchange.

Dividend income earned from equity investments at FVTOCI amounted to ₱0.12 million and ₱0.39 million in 2020 and 2019, respectively.

The roll forward of net changes in fair value of equity investments at FVTOCI during the years ended December 31 are as follows (gross of deferred income taxes for golf club shares):

	2020	2019
Balance at beginning of year	₱12,561,536	₱21,643,114
Fair value adjustments	816,265	(9,081,578)
Balances at end of year	₱13,377,801	₱12,561,536

8. Advances to and Investment in a Subsidiary

The Parent Company's investment in a subsidiary pertains to its 100% equity interest in SOC Land (see Note 1). In November 2010, the Parent Company subscribed to and paid for 40,000,000 shares and 10,000,000 shares in SOC Land, respectively. The total cost of the investment amounted to ₱10.0 million.

SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. The primary purpose of SOC Land is to deal and engage in real estate business.



On July 28, 2010, the Parent Company purchased 24,023 square meters parcel of land located at East Service Road of South Superhighway, Barangay Buli, Muntinlupa City at a price of ₱321.0 million. As at December 31, 2010, the Parent Company classified the land under “Investment property” in the parent company statement of financial position at cost of ₱321.0 million which approximates its fair value. On March 4, 2011, the Parent Company transferred this investment property with fair value of ₱312.3 million, in exchange for 312,298 additional shares in SOC Land.

The registered office address of SOC Land is 4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City.

Details of investment in and advances to a subsidiary as of December 31, 2020 and 2019 are as follows:

	2020	2019
Investment	₱322,298,000	₱322,298,000
Advances	905,200,241	905,200,241
	₱1,227,498,241	₱1,227,498,241

9. Property and Equipment

December 31, 2020

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱14,407,873	₱3,733,337	₱677,107	₱18,818,317
Additions	—	23,536	—	23,536
Balances at end of year	14,407,873	3,756,873	677,107	18,841,853
Accumulated depreciation and amortization				
Balances at beginning of year	13,623,315	2,537,479	486,369	16,647,163
Depreciation and amortization	281,480	395,561	190,738	867,779
Balances at end of year	13,904,795	2,933,040	677,107	17,514,942
Net book values	₱503,078	₱823,833	₱—	₱1,326,911

December 31, 2019

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱14,367,159	₱3,614,914	₱458,886	₱18,440,959
Additions	40,714	118,423	218,221	377,358
Balances at end of year	14,407,873	3,733,337	677,107	18,818,317
Accumulated depreciation and amortization				
Balances at beginning of year	13,344,209	2,141,597	458,886	15,944,692
Depreciation and amortization	279,106	395,882	27,483	702,471
Balances at end of year	13,623,315	2,537,479	486,369	16,647,163
Net book values	₱784,558	₱1,195,858	₱190,738	₱2,171,154

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment amounted to ₱14.4 million and ₱13.5 million, respectively. These are retained in the records and still used by the Parent Company until these are disposed.



10. Accounts Payable and Other Liabilities

	2020	2019
Accrued expenses	₱533,701	₱518,837
Accounts payable	164,460	377,135
Statutory payables	22,608	30,228
	₱720,769	₱926,200

Accrued expenses are expected to be settled within the next financial year.

Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days terms.

Statutory payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund and withholding tax payables which have an average term of 15 to 30 days.

11. Retirement Benefits Obligation

The Parent Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. Republic Act (RA) No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2020.

The following tables summarize the components of retirement benefit expense:

	2020	2019
Current service cost	₱211,434	₱173,071
Interest cost	224,042	301,934
	₱435,476	₱475,005

The Parent Company recognized in comprehensive income actuarial gain of ₱72,640 in 2020 and actuarial loss of ₱582,491 in 2019.

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
Beginning defined benefit obligation	₱4,978,711	₱3,921,215
Current service cost	211,434	173,071
Interest cost	224,042	301,934
Actuarial loss (gain) due to:		
Experience adjustments	(225,096)	299,228
Changes in financial assumptions	152,456	283,263
Ending defined benefit obligation	₱5,341,547	₱4,978,711

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.



The principal assumptions used in determining pension benefit obligations for the plan as at January 1 are shown below:

	2020	2019
Discount rate	4.50%	7.70%
Future salary increase	3.00%	3.00%

The discount rate and projected salary increase rate as of December 31, 2020 is 3.30% and 3.00%, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming if all other assumptions were held constant.

December 31, 2020

	Increase (decrease) in basis points (bps)	Increase (decrease) in defined benefit obligation
Discount rates	100 bps	(P128,937)
	(100) bps	151,483
Future salary increases	100 bps	150,376
	(100) bps	(130,456)

December 31, 2019

	Increase (decrease) in basis points (bps)	Increase (decrease) in defined benefit obligation
Discount rates	100 bps	(P101,542)
	(100) bps	117,899
Future salary increases	100 bps	118,512
	(100) bps	(103,856)

Shown below is the maturity analysis of the undiscounted expected benefit payments:

	2020	2019
Less than one year	P5,275,792	P5,095,201
More than 10 years to 30 years	2,559,414	2,575,948

The estimated weighted average duration of the defined benefit obligations is 5.2 years and 4.6 years as at December 31, 2020 and 2019, respectively.



12. Income Taxes

- a. The reconciliation of provision for (benefit from) income tax computed at statutory income tax rate to provision for income tax follows:

	2020	2019
Provision for (benefit from) income tax at statutory tax rate	(P1,070,234)	P587,339
Adjustments resulting from tax effects of:		
NOLCO incurred during the year for which no deferred income tax asset was recognized during the year	2,756,340	3,903,219
Interest income subjected to final tax	(2,704,689)	(5,483,698)
Nondeductible expenses	827,937	894,083
Movements in other deductible temporary difference for which no deferred income tax asset was recognized	228,113	214,943
Nontaxable dividend income	(37,467)	(115,886)
Provision for income tax	P—	P—

- b. As of December 31, 2020 and 2019, deferred income tax liability consists of provision for deferred tax recognized in other comprehensive income related to the unrealized valuation gains on financial assets at FVTOCI amounting to P3.35 million and P3.50 million.

No deferred income tax assets were recognized on the following deductible temporary differences and carryforward benefits of unused NOLCO as of December 31 since management believes that it is not probable that sufficient future taxable profit will be available in the near future to allow the benefit of the deferred income tax assets to be utilized:

	2020		2019	
	Gross Amount	Tax Effect	Gross Amount	Tax Effect
NOLCO	P35,037,605	P10,511,282	P36,838,931	P11,051,679
Retirement benefits obligation	5,341,547	1,602,464	4,978,711	1,493,613
Unrealized foreign exchange loss	566,373	169,912	241,472	72,442
	P40,945,525	P12,283,658	P42,059,114	P12,617,734

- c. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Parent Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Balance as of December 31, 2019	Addition	Expiration	Utilization	Balance as of December 31, 2020	Tax effect	Available Until
2017	P10,989,125	P—	P10,989,125	P—	P—	P—	2020
2018	12,839,075	—	—	—	12,839,075	3,851,723	2021
2019	13,010,731	—	—	—	13,010,731	3,903,219	2022
	P36,838,931	P—	P10,989,125		P25,849,806	P7,754,942	



As of December 31, 2020, the Parent Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Balance as of December 31, 2019	Addition	Expiration	Utilization	Balance as of December 31, 2020	Tax effect	Available Until
2020	P-	P9,187,799	P-	P-	P9,187,799	P2,756,340	2025

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. As the Company does not have any income tax expense or payable, this change did not have any significant effect on the parent company financial statements. There is also no effect on the deferred income tax liability and related expense as the applicable tax rate remains the same.



13. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Parent Company has the following significant related party transactions:

	Amount/volume		Outstanding balance			
	2020	2019	2020	2019	Terms	Conditions
Subsidiary:						
SOC Land						
Advances to a subsidiary (a) (Note 8)	¥—	¥—	¥905,200,241	¥905,200,241	Within five years; noninterest bearing	Unsecured; No impairment
Entity under common control:						
South China Petroleum International (SCPI)						
Due from a related party (b)	13,058	12,684	256,445	243,387	Due and demandable; noninterest bearing	Unsecured; No impairment
Total			¥905,456,686	¥905,443,628		

- Advances to a subsidiary pertain to amounts owed by SOC Land used to finance the construction of the Anala and Althea projects, primarily consisting of building construction costs, consultancy fees, taxes and licenses, advertising and other business expenses.
- South China Petroleum International (SCPI) is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.
- Short-term employee benefits of key management personnel amounted to ¥2.70 million and ¥2.40 million in 2020 and 2019, respectively. No retirement expense or other employee benefits were incurred for key management personnel.



14. Equity

a. Common Stock

The Parent Company's authorized, issued and subscribed common stock and treasury stock are as follows:

	2020		2019	
	No. of Shares	Amount	No. of Shares	Amount
<i>Authorized - ₱1 par value</i>	1,000,000,000	₱1,000,000,000	1,000,000,000	₱1,000,000,000
<i>Issued</i>				
Beginning of year	601,389,659	₱601,389,659	600,559,569	₱600,559,569
Issuance	–	–	830,000	830,000
End of year	601,389,659	₱601,389,659	601,389,659	₱601,389,659

	2020		2019	
	No. of Shares	Amount	No. of Shares	Amount
<i>Subscribed</i>				
Beginning of year	305,170,000	₱305,170,000	306,000,000	₱306,000,000
Issuance	–	–	(830,000)	(830,000)
Subscription receivable	(228,877,500)	(228,877,500)	(228,877,500)	(228,877,500)
End of year	76,292,500	₱76,292,500	76,292,500	₱76,292,500
Treasury - at cost	(4,639,000)	(₱4,961,650)	(4,639,000)	(₱4,961,650)

The Parent Company was registered with the SEC on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

The Parent company has 358 and 359 shareholders as at December 31, 2020 and 2019, respectively.

b. Retained Earnings

On December 8, 2016, the BOD approved a resolution earmarking ₱600.0 million and ₱145.0 million of the Parent Company's retained earnings for purposes of funding its investments related to SOC Land's Althea and Azalea projects with a target completion in 2021 and the Parent Company's agricultural projects from 2020 to 2025, respectively.

15. Lease Agreements

In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of Enzo Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of twelve (12) months subject to the mutual agreement of the parties. In line with the contract, the Parent Company paid a security deposit amounting ₱99,180 and ₱93,798 as of December 31, 2020 and 2019, respectively. The security deposit is classified under "Prepayment and other current assets" (see Note 6). Minimum lease payments within a year under this contract is ₱0.21 million.

The Parent Company recorded expenses related to short-term lease amounting to ₱0.26 million and ₱0.25 million in 2020 and 2019, respectively.



There are no future minimum lease payments as of December 31, 2020 and 2019.

16. Financial Instruments

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, receivables, security deposit presented under prepayments and other current assets, equity investments at FVTOCI and accounts payable and other liabilities. The main purpose of these financial instruments is to fund the Parent Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The Parent Company has exposure to credit risk, liquidity risk and equity price risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are below:

Credit Risk

Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.

The Parent Company is exposed to credit risk primarily because of its investing and operating activities. The Parent Company is exposed to credit risk arising from the counterparties (i.e., foreign currency denominated debt instruments, fixed income deposits and receivables) to its financial assets.

Credit Risk Management

In managing credit risk on these investments, capital preservation is paramount. The Parent Company trades only with recognized, creditworthy third parties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise of cash and cash equivalents, receivables and security deposits, management monitor these financial assets on an ongoing basis with the result that the Parent Company's exposure to impairment losses is not significant.

Credit Risk Exposures

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, financial assets at FVTOCI and security deposits, is equivalent to the carrying amount of these financial assets as carried in the parent company statement of financial position.



With respect to credit risk arising from financial assets, the Company's exposure to credit risk arises from default of the counterparties, with a maximum exposure as of December 31, 2020 and 2019 equal to the carrying value of the instruments. The Company does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

- Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
- Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

Credit Risk Concentration Profile

The Parent Company has no significant concentrations of credit risk.

The aging per class of financial assets and the ECL are as follows:

December 31, 2020

	Current	Past due but not impaired				ECL	Net of ECL
		Less than 30 days	31-60 days	61-90 days	Over 90 days		
Cash and cash equivalents*	₱514,305,616	₱-	₱-	₱-	₱-	₱-	₱514,305,616
Receivables	366,597	-	-	-	4,344,171	-	4,710,768
Advances to a subsidiary	-	-	-	-	905,200,241	-	905,200,241
Security deposits	99,180	-	-	-	-	-	99,180
	₱514,771,393	₱-	₱-	₱-	₱909,544,412	₱-	₱1,424,315,805

*Excludes cash on hand

December 31, 2019

	Current	Past due but not impaired				ECL	Net of ECL
		Less than 30 days	31-60 days	61-90 days	Over 90 days		
Cash and cash equivalents*	₱517,516,471	₱-	₱-	₱-	₱-	₱-	₱517,516,471
Receivables	983,723	-	-	-	4,365,973	-	5,304,696
Advances to a subsidiary	-	-	-	-	905,200,241	-	905,200,241
Security deposits	93,798	-	-	-	-	-	93,798
	₱518,593,992	₱-	₱-	₱-	₱909,566,214	₱-	₱1,428,115,206

*Excludes cash on hand

The Company considers its cash in bank as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECL relating to cash in banks is considered as immaterial. Other receivables consist of advances to officers and employees and others. The Company evaluated its other receivables as high grade since these are collected through salary deductions or deducted to employees final pay. The ECL relating to this financial asset is considered as immaterial.

The credit quality of financial assets is managed by the Parent Company using high quality and standard quality as internal credit ratings.

A high grade financial assets pertain to a counterparty that is not expected by the Parent Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies. Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets. Past due but not impaired



financial assets are items with history of frequent default. Nevertheless, the amount due are still collectible.

Financial assets that are past due but not impaired aging 91-180 days amounted to ₱909.54 million and ₱909.52 million as of December 31, 2020 and 2019, respectively.

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Parent Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The following tables summarize the maturity profile of the Parent Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Parent Company's financial liabilities based on contractual undiscounted payments.

December 31, 2020

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱11,939,050	₱502,386,566	₱—	₱—	₱514,325,616
Receivables	366,597	—	12,684	4,331,487	4,710,768
Advances to a subsidiary	—	—	—	905,200,241	905,200,241
Security deposit	99,180	—	—	—	99,180
Equity investment at FVTOCI:					—
Golf club shares	—	—	—	34,250,000	34,250,000
Shares of stock	—	—	—	9,624,723	9,624,723
	514,791,393	—	12,684	953,406,451	1,468,210,528
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	—	698,161	—	—	698,161
Liquidity position	₱514,791,393	(₱698,161)	₱12,684	₱953,406,451	₱1,467,512,367

**Excludes statutory payables.

December 31, 2019

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱11,415,276	₱506,121,195	₱—	₱—	₱517,536,471
Receivables	938,723	—	4,365,973	—	5,304,696
Advances to a subsidiary	—	—	—	905,200,241	905,200,241
Security deposit	93,798	—	—	—	93,798
Equity investment at FVTOCI:					
Golf club shares	—	—	—	35,250,000	35,250,000
Shares of stock	—	—	—	7,958,458	7,958,458
	12,447,797	506,121,195	4,365,973	948,408,699	1,471,343,664
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	—	895,972	—	—	895,972
Liquidity position	₱12,447,797	₱505,225,223	₱4,365,973	₱948,408,699	₱1,470,447,692

**Excludes statutory payables.



Equity Price Risk

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Parent Company's equity securities at FVTOCI. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Parent Company measures the sensitivity of its domestic equity investments at FVTOCI by using stock market index fluctuations and its effect to respective share prices.

In 2020 and 2019, changes in fair value of equity instruments held as equity investments at FVTOCI due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱4.40 million and ₱4.30 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Foreign Currency Risk

Foreign currency risk is the risk where the value of the financial instruments diminishes due to changes in foreign exchange rates. The Parent Company's foreign currency risk relates to its US\$-denominated cash. The Parent Company seeks to mitigate the effect of its currency exposure by matching the level of return on investment with the magnitude of foreign exchange fluctuation. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Parent Company currently does not enter into derivative transactions to hedge its currency exposure.

The Parent Company's significant US\$-denominated financial asset as of December 31, 2020 and 2019 pertains to cash in bank which both amounted to US\$0.1 million. Translated Peso balances of this US\$-denominated cash as of December 31, 2020 and 2019 amounted to ₱6.0 million and ₱6.3 million, respectively.

The Parent Company recognized foreign exchange loss of ₱0.32 million and ₱0.24 million in 2020 and 2019, respectively. The exchange rate of Peso to US\$ as of December 31, 2020 and 2019 used in translating the US\$-denominated financial instruments is ₱48.02 and ₱50.64, respectively.

The following table demonstrates the impact on the Parent Company's net income or loss before income tax of reasonably possible changes in the US\$ (all other variables held constant). There is no other impact on the Parent Company's equity other than those already affecting profit or loss as follows:

2020		2019	
Movement in US\$ rates	Effect on net loss	Movement in US\$ rates	Effect on net income
+5%	₱308,879	+4%	(₱232,788)
-5%	(308,879)	-4%	232,788

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents, receivables, security deposit and accounts payable and other liabilities

The carrying amounts of cash and cash equivalents, receivables and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.



Equity investments at FVTOCI

Equity investments at FVTOCI are based on closing prices for equity investments, published price for golf club shares.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Parent Company's financial instrument carried at fair value consists of listed equity investments amounting to ₱9.62 million and ₱7.96 million as of December 31, 2020 and 2019, respectively, which has been determined by reference to the price of the most recent transaction at the end of reporting period (Level 1). The Parent Company's financial instruments carried at fair value measured under Level 2 pertain to golf club shares amounting to ₱34.25 million and ₱35.25 million as at December 31, 2020 and 2019, respectively which has been determined by reference to published price quotation which has been determined by reference to net asset value per unit at the end of reporting period.

As of December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

Capital Management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 and 2019.

The following table pertains to the account balances which the Parent Company considers as its core economic capital:

	2020	2019
Common stock	₱601,389,569	₱601,389,569
Subscribed common stock - net of subscription receivable	76,292,500	76,292,500
Additional paid-in capital	72,272,140	72,272,140
Unappropriated retained earnings	285,765,213	289,332,659
Treasury stock	(4,961,650)	(4,961,650)
	₱1,030,757,772	1,034,325,218



17. Basic/Diluted Earnings (Loss) Per Share

	2020	2019
Net income/(loss)	(P3,567,446)	P1,957,795
Weighted average number of outstanding shares	901,920,569	901,920,569
Basic/Diluted Earnings (Loss) per Share	(P0.0040)	P0.0022

There are no dilutive potential common shares outstanding as of December 31, 2020 and 2019.

18. Continuing COVID-19 Pandemic

On March 11, 2020, the World Health Organization has declared the novel coronavirus (COVID-19) outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months. Various stages of quarantine were imposed since then, which restricted various economic activities. As of May 5, 2021, the country is under the modified enhanced community quarantine (MECQ), which allows certain offices or industries to operate at full or partial capacity. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

Likewise, government authorities in other countries where the Parent Company operates, adopted measures, including lockdowns, to control the spread of the virus and mitigate the impact of the outbreak.

These measures have caused disruptions to businesses, global supply chain, and economic activities, and its impact continues to evolve.

The scale and duration of these developments remain uncertain as at the report date. It is not possible to estimate the overall impact of the outbreak's near-term and longer effects, however, the Parent Company has already incurred and will continue to incur costs as the Parent Company continues to mitigate the adverse impact of the outbreak on its operations. The outbreak could have a material impact on the parent company financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Parent Company will continue to monitor the situation.

19. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with Bureau of Internal Revenue (BIR) RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued by the Parent Company in 2020:

Input VAT

Balance at beginning of year	P1,771,407
Current year's domestic purchases for:	
Goods other than for resale or manufacture	2,692
Services lodged under other accounts	193,257
Balance at end of year	P1,967,356



The Parent Company has no sales subject to VAT of 12% for the year ended December 31, 2020.

Other Taxes and Licenses

In 2020, other taxes and licenses include all other taxes, local and national, including licenses and permit fees lodged under the taxes and licenses account under the costs and expenses section in the parent company statement of comprehensive income:

License and permit fees	₱275,964
Documentary stamp tax	4,444
Community tax certificate	2,949
Others	16,079
	<u>₱299,436</u>

Withholding Taxes

Tax on compensation and benefits	₱342,281
Expanded withholding tax	174,436
	<u>₱516,717</u>

Tax Assessment and Cases

The Parent Company has no tax cases and amounts involved, under preliminary investigation, litigation and prosecution in courts or bodies outside the BIR. The Company has not received any Final Assessment Notice or Formal Letter of Demand from the BIR in any of the open years as at December 31, 2020.



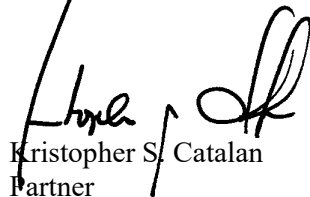
INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SOCResources, Inc.
4th Floor Enzo Building
399 Senator Gil Puyat Avenue
Makati City 1200

We have audited the accompanying parent financial statements of SOCResources, Inc. (the Company) as of and for the year ended December 31, 2020, on which we have rendered the attached report dated May 5, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above company has 358 stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534231, January 4, 2021, Makati City

May 5, 2021

