

SEC Number  
File Number

**A200008385**

**SUPERCITY REALTY DEVELOPMENT  
CORPORATION**

(Company's Full Name)

**41<sup>st</sup> FLOOR JOY NOSTALG BUILDING,  
ADB AVENUE ORTIGAS CENTER,  
PASIG CITY**

(Company Address)

**638-7779**

(Telephone Number)

**December 31**

(Calendar Year Ending – Month & Day)

**SEC Form 17-A**

(Form Type)

Amendment Designation (If Applicable)

**December 31, 2017**

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **DECEMBER 31, 2017**
2. SEC Identification Number **A200008385** 3. BIR Tax Identification No. **206-816-824**
4. Exact name of issuer as specified in its charter  
**SUPERCITY REALTY DEVELOPMENT CORPORATION**
5. **METRO MANILA, PHILIPPINES** 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. **41<sup>ST</sup> FLOOR JOY NOSTALG CENTER, #17 ADB AVE.**  
**ORTIGAS CENTER, PASIG CITY** **1605**  
Address of principal office Postal Code
8. **(632)6387779**  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock	
	Outstanding	Amount of Debt Outstanding
<b>COMMON SHARES – P 1 par value</b>	<b>No. of Shares</b>	<b>Amount</b>
<b>Authorized</b>	<b>155,000,000</b>	<b>155,000,000.00</b>
<b>Issued</b>	<b>110,000,000</b>	<b>110,000,000.00</b>
<b>Subscribed</b>	<b>110,000,000</b>	<b>110,000,000.00</b>

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

Yes [☒] No [☐]

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

**PHILIPPINE STOCK EXCHANGE** **COMMON STOCK**

12. Check whether the issuer:

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

Yes [ **X** ]

No [ ]

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

Yes [ **X** ]

No [ ]

13. The aggregate market value of the voting stock held by non-affiliates is computed as 110,000,000 shares x P **0.80/share = P 88,000,000.00**

14. Filing by issuers involved in insolvency/suspension of payments proceedings during the preceding five (5) years. **Not applicable**

15. Documents incorporated by reference. **None**

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### Company Background

Supercity Realty Development Corporation, hereinafter referred to as SRDC, was registered with the SEC on June 9, 2000 under SEC Registration No. A200008385. The Company's authorized capital is ₱155,000,000.00 consisting of 155,000,000 Common Shares, with a par value of ₱1.00 per share. As of December 31, 2009, the Company had 110,000,000 Shares issued and outstanding.

The Company is authorized to engage in the business of construction, and related services and activities. It is authorized to act as a contractor or subcontractor for the construction of houses, buildings, roads, bridges and other construction projects for the private sector or the Government anywhere in the Philippines. It is also authorized to; (i) purchase, lease, exchange or otherwise acquire real properties, (ii) manage, subdivide and develop the same, and (iii) sell, transfer, convey or otherwise alienate or dispose of any such real properties and any interest or right therein.

#### History

The Company traces its beginnings to the early part of 2000, when a group of Filipino professionals that were formerly connected with Extraordinary Development Corporation decided to organize a construction services company. They envisioned their new company to cater to real estate developers that were focused on acquiring, developing, marketing and selling real estate end products rather than undertaking their own construction work. The incorporators of the Company that have remained as shareholders include; (a) Ferdinand Soliman, an engineer with 26 years of experience in the field of construction, planning and design, (b) Mylene Lim, an architect who has more than twenty (23) years of experience in the area of procurement of construction materials, (c) Wilfredo Uy, a certified public accountant (CPA) who gained expertise in the accountancy field through his 21 years practice as a CPA, and (d) Nimfa Leonco, who is currently connected with Asia Pacific Timber & Plywood Corporation.

Since the start of its commercial operations on October 1, 2000, the Company has completed a number of land development and housing projects. The Company's major completed and on-going projects are located in the following project sites: (a) Mabuhay City Subdivision in Cabuyao, Laguna, (b) Jubilation New Biñan Subdivision in Biñan, Laguna, (c) Eastwood Greenview Subdivision in San Isidro, Rodriguez, Rizal, (d) Eastwind Homes also in San Isidro, Rodriguez, Rizal, (e) Celebrity Place Walk-up Condominium in Quezon City, (f) Centella Homes Subdivision in San Isidro, Rodriguez, Rizal and (g) Terraverde Residences in Carmona, Cavite.

#### Corporate Objectives

The Company's basic objectives are to provide a full range of construction services to real estate developers, and to provide them with technical assistance during the pre- and post-construction stages of their projects. It is usually engaged as a general contractor for land development and housing projects. The Company employs modern building system technology in its mass housing construction, and a management information system for its operations. It utilizes accredited labor subcontractors in order to maintain a relatively lean workforce.

In February 2008, the board has decided to wind down its construction business and re-focus the company's business into real estate development. However, as of December 31, 2015, the Company has not yet started any real development projects and thus the Company is still continuously engaged in the business of construction.



## Vision-Mission

### Mission Statement

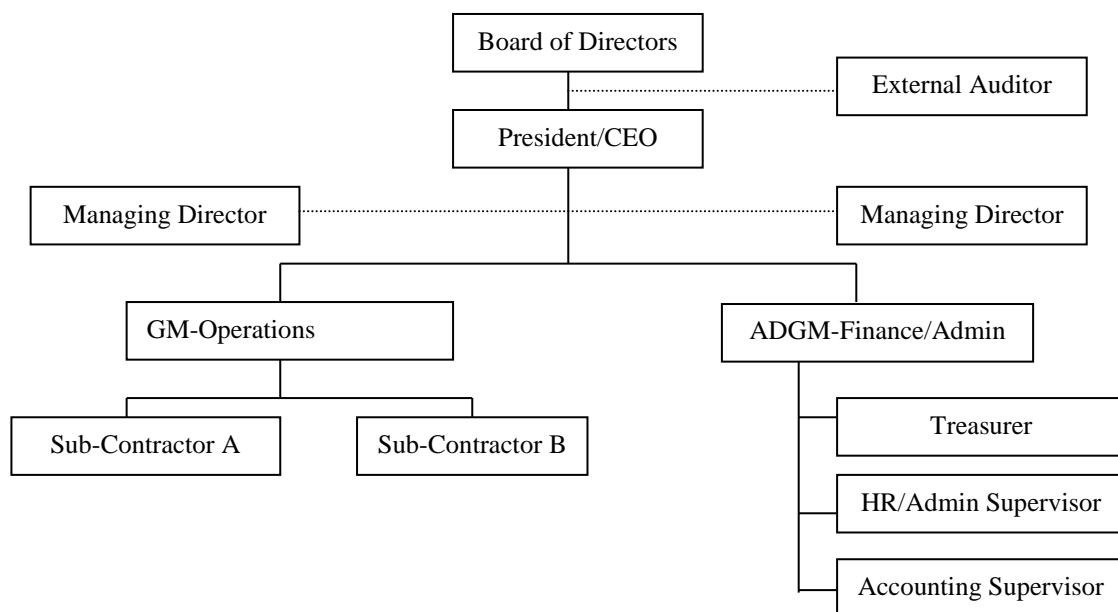
We are a leading construction company engaged in mass housing business providing total customer satisfaction using innovative and cost effective technology with the timely delivery of quality products and services.

### Vision Statement

We are the trademark for total customer satisfaction in the mass housing construction by sustaining our competitive advantage through innovative products and services.

## Organizational Structure

The following chart provides an overview of the organizational structure of the Company:



The Company's organization is relatively simple and flat. There are basically two major groups, namely: Operations, and Finance and Administration. However, there will be changes on the organizational structure when the Company's business re-focuses into real estate development.

### A. Operations Group

The General Manager–Operations oversees the Project Managers in their respective construction project assignments. Each project team is responsible for the following functions: project estimating, project bidding and awarding, project implementation, and turnover of project after completion to the client. The Project and Site Engineers oversee and relate directly to the subcontractors to ensure that the latter's work quality and completion schedules meet the established standards and timetables.

## B. Finance and Administration Group

The Acting Deputy General Manager-Finance/Administration, on the other hand, is in charge of overseeing the accounting, finance, human resource management, information management, and procurement functions within the Company.

### *Senior Management*

The President and the Directors of the Company are the key persons responsible for obtaining leads to new projects, and establishing rapport with clients. Senior management is also responsible for formulating key corporate strategies for the Company.

### *Ad Hoc Committees*

Ad hoc committees or groups are also formed among employees from different departments for the preparation of research studies, formulation of the Company's guidelines and procedures, systems evaluation and integration, and the like.

## Operations

The operations of the Company can be categorized into the following areas of activity: (a) Contract Bidding and Signing; (b) Project Implementation; (c) Collections; and (d) Accreditation of Subcontractors. The details of the various activities involved are presented below:

### A. Contract Bidding and Signing

To facilitate the preparation of project estimates to be used in contract bidding, the Company maintains a BQ Library for all the house models and construction works that it has already undertaken. Prices of construction materials and labor are then updated in the said database. The system allows for the fast preparation of project cost estimates. The major steps involved in contract bidding and signing are:

1. Preparation of estimates based on plans and specifications of the client
2. Submission of bid proposal to the client
3. Conduct of clarifications on bid proposal
4. Evaluation and awarding of bids by the client
5. Execution of contracts
6. Issuance of the "Notice To Proceed" by the client

### B. Project Implementation

A project implementation plan is first prepared, discussed with, and agreed upon with the developer in order to ensure the proper implementation of the project, and to avoid conflict or argument during and after the implementation. The project implementation plan is also discussed with the subcontractors to have a common understanding on implementation procedures. The implementation plan has the following information: (a) schedule of activities, (b) number of days, (c) manpower requirement and deployment, (d) materials delivery schedule, (e) percentage of accomplishment and/or milestone, and (f) actions to be taken when unforeseen events occur. The construction methodology in undertaking certain activity is also discussed and agreed upon.

The major steps in the actual project implementation are as follows:

1. Presentation and approval of implementation plan
2. Purchase of construction materials required
3. Engagement of the services of the accredited subcontractors (evaluation of subcontractors is done in advance)
4. Implementation based on plans and specifications

5. Conduct of ocular inspection to ensure quality and timely delivery of the project
6. Turnover of the project to the client upon completion

#### C. Collections

The Company maintains a database file for all project contracts obtained. This file is updated semi-monthly to reflect the corresponding project accomplishment and for setting up of receivables. For contracts or projects that allow for percentage of completion billings, the Company normally bills clients twice a month. For contracts based on progress billings, billings are only made when a certain project milestone is achieved.

The Company normally requires a 20% down payment on its contracts, and is billed upon contract signing. Clients, on the other hand, retain 10% of the contract price for a period of 60 days from the time the project is completed and turned over by the Company. The said retention amount is a normal industry practice and is meant to cover any costs and expenses for modifications, defects, or repairs on the project.

The major steps in collections are as follows:

1. Preparation of billing for down payment after the signing of contract
2. Preparation of periodic billings
3. Submission of billing to the client for approval
4. Follow up and collection of payment

#### D. Accreditation of Subcontractors

The Company employs accreditation procedures for all its subcontractors to ensure that its subcontractors have the capability to handle the projects awarded to them. The subcontractors are re-evaluated periodically to update their classification. Subcontractors that deliver quality services on time or ahead of time are usually compensated with better rates for their next project with the Company.

The Company has also established a subcontractor's code of conduct that must be observed at all times to ensure safety, cleanliness, and orderliness at the project site.

The major steps in the accreditation process of subcontractors are as follows:

1. Issuance of pre-qualification checklist to the applicant subcontractors
2. Evaluation and verification of information on the checklist
3. Conduct of ocular inspection of the subcontractor's completed and on-going projects
4. Final evaluation of the applicant subcontractor
5. Issuance of accreditation certificate and assignment of subcontractor ID

#### Products and Services

A list of the products and services offered by the Company is presented as follows:

##### 1. Construction of Houses

- 18-square meter Row House – CHB-load bearing
- 20-square meter Row House – CHB-load bearing
- 20-square meter Row House with Roofdeck – using steel wall form system
- 25-square meter Single-Attached/Single-Detached – using ordinary CHB
- 25-square meter Single-Attached/Single-Detached with Roofdeck – using steel wall forms
- Medium-scale and upscale houses
- 3-storey condominium

## 2. Land Development

- Earthworks
- Road concreting
- Waterline distribution system
- Box culverts
- Sewerline system
- Drainage system
- Perimeter fences

## 3. Specialty Works

- Elevated water tank
- Deep well
- Clubhouse
- Swimming pool
- Basketball court
- Entrance gate
- Guard house
- Parking lot

In addition to construction services, the Company provides facilitation services included as part of the contract for its end clients. These services include;

- Obtaining building permits composed of sanitary, plumbing, electrical, and occupancy permits,
- Obtaining water and fencing permits,
- Energizing a subdivision project's main power line,
- Arranging for individual meter and service deposit receipts for housing units

The contribution of the Company's various products and services to total revenues for the year 2017 are presented in the chart below.

<b>Services</b>	<b>Amount</b>	<b>%</b>
Land Development	1,423,019	4%
Housing	34,442,773	96%
<b>Total</b>	<b>35,865,792</b>	<b>100%</b>

## Markets

The Company's primary markets are the real estate developers. As a matter of corporate strategy, the Company has positioned itself to serve institutional or corporate clients rather than individual homebuyers in order to leverage on economies of scale for its construction projects. The Company also focuses on the construction of horizontal residential house and land development works for residential subdivisions. At present, the Company is focused on real estate developers that cater to the mass-, low-cost and middle-scale housing markets. The Company's present areas of operation are in the CALABARZON and Quezon City area. The Company caters to the Philippine market only and has no plans of getting into the international market.

## Distribution Methods of Products and Services

The Company adopts a direct selling approach that involves establishing personal rapport in dealing with both existing and prospective clients. The Company also sends its corporate profiles to real estate developers. The Company's senior officers then make subsequent marketing calls to the principals of the said real estate developers and discuss areas where they can work together.

## Competition

The Company is a construction services company that competes in the Philippines' construction industry. It primarily competes with independent construction firms that serve real estate developers involved in horizontal property development in the mass-housing, low-cost, medium- and upper-scale subdivision and home development categories. The Company also competes with other firms that operate in the CALABARZON areas. The major competitors of the Company include: (a), CMO Construction (b), ARRCEA Construction (c) RMT Construction, (d) Annex Builders, (e) WFC Construction, (f) KEEJANG Builders and (g) Mile-Hi Construction. These competitors are similar to the Company in terms of their primary market and capabilities. The Company believes that it can effectively compete with other companies in its area of competition because it uses modern construction technology, like the steel wall form system and T-joist system, for mass housing production. This allows for faster construction time, higher durability and lower overhead cost. Also, the Company has a pool of more than twenty (15) accredited subcontractors for housing, land development, and specialty works. Finally, the Company has good working relationships with its existing major clients that are major real estate developers in the Philippines. Recently, price has been the prevailing criteria of the developers in selecting their contractors. With this, the Company will offer its services at the lowest amount with the required quality of service though it expects a stiff competition among its competitors.

## Sources of Materials and Supplies

The Company utilizes all the usual construction supplies and materials sourced from local suppliers. The Company is not dependent upon one or a limited number of suppliers for essential raw materials and supplies. Following are some of the principal suppliers of the Company:

<b>Construction Materials</b>	<b>Major Supplier</b>
<b><i>For Housing Construction Projects</i></b>	
1. Cement	Solid Cement Corp.
2. Steel Bar	E.V.Y. Construction and Development Corp.
3. White Sand	Rodelros Enterprises
4. Gravel	Kidtrans Movers
5. CHB	Quality Star Concrete Products
6. Lumber	Glory Lumber Hardware
7. PVC Products	Tanay Industries, Inc.
8. Hardware	Goldrich Industrial Sales
9. Paints	Mirage Trading, Inc.
10. Electrical Wires and Accessories	Sycwin Coating & Wires, Inc.
11. Plumbing Fixtures	D-Square Plumbing Supply, Inc.
12. Roofing	Philmetal Products, Inc.
13. Steel Roof Framing	Rapid Forming Corporation
14. Steel Fabrication Works	Rapid Forming Corporation
<b><i>For Land Development Projects</i></b>	
1. Concrete Pipes	Allied Concrete Products
2. Lastillas and Boulders	Maeann Enterprise
3. Escombros	Express Network Aggregates, Inc.
4. Ready Mix Concrete	Precision Readymix Inc.
5. Water Main Pipes & Fittings	Atlanta Industries
6. Gabion & Accessories	Freyssi Marketing
7. C. I. Fittings	Philippine Valve Manufacturing Co.

At present, the Company has no existing major supply contract. It procures its supplies on a project-to-project basis. Moreover, it usually awards to sub-contractors on a straight-contract agreement where the chosen sub-contractors will also provide the needed materials.

### Major Clients

It has been the thrust of the Company to be a business partner of Real Estate Developers and as such it concentrates on serving the needs of its major clients namely: CemqHomes Development Corporation, Acerhomes Development Corporation, Earth+Style Corporation, One Asia Development Corporation, Kaiser Realty Development Corporation, Earth Aspire Corporation, Earth Prosper Corporation, and Verdantpoint Development Corporation. These are the eight (8) major clients which account for the majority of the Company's revenues.

For the year 2017, the Company has outstanding contracts as follows:

PROJECT NAME	LOCATION	AMOUNT
Tirraverde Residences	Carmona, Cavite	35,865,792
Porchview	Binan, Laguna	-
<b>Total</b>		35,865,792

### Related Party Transactions

Please refer to Part III Item 12 of this report.

### Subsidiaries and Affiliates

The Company does not have any subsidiaries or affiliates as of the date of filing.

### Government Approvals

Under the Contractor's License Law (Republic Act No. 4566, as amended by Presidential Decree No. 1746), all construction companies intending to undertake construction activity in the Philippines must secure a contractor's accreditation from the Construction Industry Authority of the Philippines (CIAP). The Company filed an application for accreditation with the CIAP on October 27, 2003. License No. 31229, which was issued on January 30, 2004. Recently the company has obtained its new license from Philippine Contractors Accreditation Board under license no. 41794 dated March 30, 2017.

### Applicable Laws and Regulations

Other than the regular business regulations common to all businesses, the Company is not aware of any existing or governmental regulations which could directly affect its business operations. Most of the regulations are imposed upon the developers, not on the construction companies.

Moreover, the Company is not aware of any environmental laws which will directly affect its business operations. The development and environmental permits issued by the DENR are generally required of developers of residential subdivisions and not of construction companies.

### Research and Development

The Company does not engage third parties in its research and development activities. Such activities are conducted by the Company's in-house technical staff and officers. Thus, the amount spent in research and development activities is not substantial.

## Manpower Complement

The manpower complement of the Company can be classified into employees and subcontractors.

### A. Employees

As at December 31, 2017, the Company had a total of 5 full time employees. Among the Company's employees, 3 are regular employees while 2 are contractual. A summary of the different categories of the Company's employees is as follows.

Category	Number of Employees
Managerial	3
Supervisory	1
Rank and File	1
<b>Total</b>	<b>5</b>

None of the employees is subject to collective bargaining agreements (CBA). The employees did not stage any strike for the past three (3) years nor are they threatening to have one. Management and employee relationships have been cordial and complementary since the start of the Company's operations. The Company has no supplemental benefits or incentive arrangements as of the present, and has no plans to implement such in the future. However, with the plan to reorganize its organizational structure, the company had offered retrenchment program to its employees and had effected in the year 2008.

For the ensuing twelve (12) months, the Company anticipates that it will maintain its existing manpower and may not require any additional staff or officers.

### B. Subcontractors

To provide the necessary manpower complement for land development, the construction of housing units, and specialty works, the Company engages the services of accredited independent subcontractors. The subcontractors are paid on a per contract basis. The number of the subcontractors utilized on any given contract or project will depend on the manpower requirement of the said contract or project.

The major subcontractors of SRDC include (a) C.A. Toledo (b) Leonbuilt Construction and Development Corporation (c) Mt. Mariah Ceng Builders, (d) RMDL Engineering and Construction Supply (e) Sempc Construction Supply, (f) Revi Konstruct Co and (g) Nategeo Construction

## Technology

The Company utilizes modern construction technology for its mass housing construction process, and management information systems for its operations. The following discussion presents a description of the Company's use of the said technologies:

### A. Steel Wall Form System and T-joist System

The Company's steel wall form and T-joist systems for mass housing production represent an adaptation and innovation of existing Malaysian and American building technologies used in Asia, the United States, and Europe. The building systems were redesigned by the Company's engineers, and fabricated by local suppliers.

The steel wall form system combined with T-joist system has several advantages over the conventional CHB system in terms of construction time, cost, durability, aesthetic finish and overhead cost. The technology is designed for quick and easy assembly of housing units. It also utilizes relatively less manpower to construct a house skeleton in around eight (8) hours. This cuts down on labor and

materials expenses for low-cost and/or socialized housing intended for mass production. The systems also allow the Company to undertake land development and housing construction at the same time, thereby cutting down construction time. However, with the plan to go into real estate business, the Company has sold majority of its construction equipment and tools.

## B. MegaSystem

The Company utilizes the *MegaSystem* computer software for its information management. This software is a windows-based system that was designed specifically for the information management system of a construction company. The system is intended for the Company's easy recording and retrieval of information.

The following modules of the software are fully integrated:

- Project estimating
- Purchasing and inventory management
- Accounts payable and receivable management
- Sub-contractors management
- General ledger

The system provides for the timely processing and preparation of project cost estimates, bid proposals, billings, processing of sub-contractors' billings, suppliers' deliveries and governmental reporting requirements.

### Assessment and Management of Risk

One of the risks that the Company is faced with is the competition within the industry. The Company would bank on its strengths over its competitors, particularly on the use of modern technology, its large pool of accredited subcontractors and its good working relationship with its clients to at least keep its stance in the industry.

Another risk is the Company's lean manpower organization. With this, it is inevitable that the Company relies on few key personnel. To counter this risk, the Company conducts training to its personnel and encourages the transfer of technology within the organization. Moreover, with the plan to re-focus its business, the Company must acquire new employees and at the same time had to retrench redundant employees.

The Company's reliance on its few existing clients poses another risk since the loss of any of these clients could have a material adverse impact on the Company. In 2016, the Company has added one new client.

Another risk that the Company is exposed to is its contractual arrangements with independent subcontractors. Any event that will adversely affect the ability of the subcontractors to meet the Company's performance standards could also affect the Company's operations. To counter this, the Company maintains and adheres to an accreditation process for its subcontractors to minimize the risk of the latter's inability to meet quality and cost standards of the Company. Also included in the accreditation process is the requirement for the subcontractor to post a bond. This would reduce the risk of the subcontractor not to finish a project and would lessen the financial impact on the Company should the subcontractor fail to finish the project. Moreover, there is the risk that the subcontractor can become a competitor. To avoid this, the contracts between the Company and the subcontractors included a provision which states that while the subcontractors have existing contracts with the Company, they cannot engage their services directly with the developers. Should they do so, even after the contracts between the Company and the subcontractors have been served, the subcontractor will be taken out of the list of accredited subcontractors.

The price volatility of construction materials and natural calamities are risks inherent in the construction business. At present, the Company enters into relatively short-term construction contracts (about 3 – 6



months only) and practices hedging techniques to lock in prices when the prices are low. Also, since the contracts are short-term, the risk of loss that natural calamities may bring about is lessened. For service companies like the Company, the longer the contract, the higher the chances of loss since a long-term contract would be subject to more uncontrollable events which could continue to incur costs for the same contract revenue. With short-term contracts, there is early realization of revenue.

## **Item 2. Properties**

The principal office of the Company is located at Unit 1223 City and Land Mega Plaza, ADB Ave. Corner Garnet Road, Ortigas Center, Pasig City. The Company currently **leases** the 30 square meter office space from Anchor Collection Service, Inc. for a monthly rental of **P13,000.00**. The lease is for a term of 6 months, or until December 31, 2014, renewable under such terms and conditions agreed upon by both parties. In 2015, the Company transferred its office at 41<sup>st</sup> floor Joy Nostalg Center, ADB Avenue, Ortigas Center, Pasig City.

The Company purchased a 21,668 square meter property worth P1,800.00 per square meter in March 2002 with TCT No. T-330670. The property is in a commercial/residential zone located in Bacoor, Cavite. The tax clearance certificate, having been issued by the BIR, the transfer certificate of title was issued under TCT No. 1019508 by the Register of Deeds of Cavite. Title to the property reveals no liens or encumbrances. However, this property is sold in the year 2009.

SRDC also uses container vans measuring 2.4 meters x 2.4 meters. x 6.0 meters to serve as field offices, which can be moved to different locations and can accommodate up to four (4) office tables per van. The Company also utilizes collapsible barracks and stockyards to house the subcontractors' workers, and construction supplies and materials while on the project site.

The Company uses steel panel forms for its major housing construction needs. These wall forms/molds are used instead of plywood for the construction of row houses. It is estimated that these forms may be used for about 100 times. A portable tower light is being used by the Company to provide lighting in areas where electricity is not available.

The Company leases other major construction and land development equipment such as cement mixers, and the like, on a project-to-project basis.

With the plan to re-focus into real estate business, the Company had sold majority of its construction equipment and tools in the year 2008. Moreover, the Company has no plan to acquire additional properties in the next twelve (12) months.

## **Item 3. Legal Proceedings**

The Company is not a party to nor is it involved in any litigation that materially affects or will materially affect its interests.

## **Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

#### Market Information

The Company's common equity is traded in the Philippine Stock Exchange (PSE). The shares of stock of the Company were initially traded on December 19, 2003. Following are the high and low sales prices for each quarter since January 1, 2014:

Quarter	High	Low
Jan – March 2014	0.80	0.80
Apr – June 2014	0.80	0.80
July – Sept 2014	0.80	0.80
Oct – Dec 2014	0.80	0.80
Jan – March 2015	0.80	0.80
Apr – June 2015	0.80	0.80
July – Sept 2015	0.80	0.80
Oct – Dec 2015	0.80	0.80
Jan – March 2016	0.80	0.80
Apr – June 2016	0.80	0.80
July – Sept 2016	0.80	0.80
Oct – Dec 2016	0.80	0.80
Jan - March 2017	0.80	0.80
Apr – June 2017	0.80	0.80
July – Sept 2017	0.80	0.80
Oct – Dec 2017	0.80	0.80
Jan – March 2018	0.80	0.80
Last practicable trading date April 11, 2018	0.80	0.80

#### Holders

There are three hundred sixty four (364) total stockholders and the top twenty (20) stockholders of the Company's issued and outstanding shares as of March 31, 2018 are as follows:

Name	Shares	%
1. Wilfredo Uy	18,000,000	16.36
2. Mylene Lim	10,850,000	9.86
3. Nimfa Leonco	10,850,000	9.86
4. Arthur Lim	7,150,000	6.50
5. Ferdinand Soliman	7,150,000	6.50
6. Robert Yulo	5,000,000	4.55
7. Anneli Ting	5,000,000	4.55
8. Mario Vicente Sy	5,000,000	4.55
9. Misael Adelaida Soliman	5,000,000	4.55
10. Mariano Mison	5,000,000	4.55
11. Victor Manarang	5,000,000	4.55
12. Marie Tes Lee	5,000,000	4.55
13. Abraham Go	5,000,000	4.55
14. Arnold Acero	5,000,000	4.55
15. Noric Ng	3,000,000	2.73
16. Neskie Ng	2,999,999	2.73

17. PCD Nominee Corporation	1,510,000	1.37
18. Aileen Gabrentina	20,000	0.02
19. Divinagracia Ayento	20,000	0.02
20. Dexter Aviles	20,000	0.02

#### Dividends

For the last two most recent fiscal years, the Company has not declared any cash dividends on its common equity. Future dividends will depend on the income, cash flow and financial condition of the Company particularly on the unrestricted retained earnings.

#### Recent Sales of Unregistered Securities

Within the past three (3) years, the Company has not sold any unregistered or exempt securities, nor did it issue securities constituting an exempt transaction.

### **Item 6. Management's Discussion and Analysis**

The following management's discussion and analysis of past performance should be read in conjunction with the financial statements included in Item 7 of this report.

#### Financial Highlights

<i>Amounts are in thousand pesos except per share figures</i>		
Key Operating and Financial Indicators	Audited Figures	
	2017	2016
<b>Income Statement Data</b>		
Revenues	35,866	12,843
Cost and Expenses	31,399	10,767
Income/(loss) From Operations	4,467	2,076
Net/(loss) Income	886	(371)
<b>Balance Sheet Data</b>		
Current Assets	41,112	37,582
Property and Equipment	-	-
Held-to-maturity Investment	-	-
Total Assets	41,112	37,582
Total Liabilities	35,790	33,146
Stockholders' Equity	5,322	4,436
<b>Per Share Data</b>		
Earnings (Loss) per Share*	0.008	0.005
Book Value per Share**	0.048	0.040

\* Based on Weighted Ave. No. of Outstanding Common Shares

\*\* Based on Outstanding Common Shares as of Year-end

In compliance with the pronouncements of the Accounting Standards Council (AS) and the regulations of the Securities and Exchange Commission (SEC), the Company has adopted all the relevant Philippine Financial Reporting Standards (PFRS) for the first time in its financial statements for the year ended December 31, 2005, with January 1, 2004 as its transition date. The transition from the previous generally accepted accounting principles (GAAP) in the Philippines to PFRSs has been made in accordance with PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*.

The Company, also under PFRS, recognized its obligation under post-employment defined benefit plan computed by an actuary determined using the projected unit credit method. The adoption of the related new standard resulted in the recognition of transitional liability amounting to P 965,022 as of January 1,

2004. This transitional liability was fully recognized retrospectively in the Company's opening PFRS balance sheet. This also resulted in the recognition of additional defined benefit expense in 2004 amounting to P 394,908. Correspondingly, the deferred tax expense recognized by the Company due to the temporary differences arising from full recognition of defined benefit obligation amounted to P 435,178 in December 2004 and P 308,807 in January 2004. As of December 31, 2017, the defined benefit obligation recognized in the books amounted to P131,145 as compared to the P172,564 balance as of December 31, 2016. The decrease is due to the payment of benefits to one of its employee in the year 2016. As of December 31, 2016 and 2017 this account amounted to P172,564 and P131,145, respectively, reported under non-current liability.

For the year 2017, the following projects were accomplished by the Company:

<b>Services</b>	<b>Amount</b>	<b>%</b>
Land Development	1,423,019	4%
Housing	34,442,773	96%
<b>Total</b>	<b>35,865,792</b>	<b>100%</b>

### **2017 Performance**

#### *Revenues*

In 2017, the Company generated P35.87M contract revenues, 157% lower than previous year revenue of P12.84M. This revenue came from land development and housing projects located in Carmona, Cavite. Total revenues generated from these projects amounted to P 35.87M.

#### *Gross Profit*

Gross profit from construction contracts amounted to P4.47M, 22% higher than the previous year's P2.08M. The gross profit ratio remained the same at 16%.

#### *Cost and Expenses*

Construction cost increased by 160% from P 10.77M in 2016 to P 31.40 in 2017. The increase in cost can be attributed to the increase in revenue since this account is variable in nature. Administrative expenses increased from P 2.58M in 2016 to P 3.67 in 2017.

#### *Income (Loss) from Operations*

Income (Loss) from operations amounted to (P508K) and P798 in 2016 and 2017, respectively. Operating margin (loss) likewise increased to 2.22% in 2017 from (3.95%) in 2016. The margin in 2017 can be attributed to the higher revenue generated in 2017.

#### *Net Income (Loss)*

As a result of the foregoing, the company incurred a net income (loss) of P886K and (P371K) in 2017 and 2016, respectively. Correspondingly, net income (loss) ratio is 2.47% and (3.00%) in 2017 and 2016, respectively. Earnings (Losses) per share likewise increased from (P0.0036) in 2016 to P0.0081 in 2017.

#### *Total Assets*

Total assets increased by 9.39% from P37.59M in 2016 to P 41.11M in 2017. The increase was due to the increase in of some financial assets such as trade receivables and prepayments. The total of other current assets also increased particularly the advances to sub-contractors and suppliers due to recoupment thereof. However, the item Creditable Withholding Taxes account classified under other

current assets increased as the Company was not able to apply thereof against income tax liability due net loss.

#### *Liquidity*

Current ratio decreased from 1.15:1 in 2017 to 1.14:1 in 2016. This can be attributed to the increase in the current assets accounts such as trade receivables and advances to contractors and suppliers. Moreover, trade and other payable accounts decreased.

#### *Leverage*

The Company posted a debt-to-equity ratio of 6.72:1 in 2017 and 7.47:1 leverage ratio in 2016. The decrease can be attributed to the increase in financial liability of the company.

### **2016 Performance**

#### *Revenues*

In 2016, the Company generated P12.84M contract revenues, 12.16% lower than previous year revenue of P14.62M. This revenue came from land development and housing projects located at Montalban, Rizal. Total revenues generated from these projects amounted to P 12.84M.

#### *Gross Profit*

Gross profit from construction contracts amounted to P2.08M, 2.68% lower than the previous year's P2.37M. The gross profit ratio remained the same at 16%.

#### *Cost and Expenses*

Construction cost decreased by 11.6% from P 12.26M in 2015 to P 10.77 in 2016. The decrease in cost can be attributed to the decrease in revenue since this account is variable in nature. Administrative expenses increased from P 2.60M in 2015 to P 2.58 in 2016.

#### *Income (Loss) from Operations*

Income (Loss) from operations amounted to (P233K) and (P508K) in 2015 and 2016, respectively. Operating margin (loss) likewise decreased to (3.95%) in 2016 from (1.59%) in 2015. The losses in 2016 can be attributed to the lower revenue generated in 2016.

#### *Net Income (Loss)*

As a result of the foregoing, the company incurred a net income (loss) of (P371K) and (P277K) in 2016 and 2015, respectively. Correspondingly, net income (loss) ratio is (3.00%) and (1.89%) in 2016 and 2015, respectively. Earnings (Losses) per share likewise decreased from (P0.0025) in 2016 to (P0.0051) in 2016.

#### *Total Assets*

Total assets decreased by 7.45% from P40.61M in 2015 to P 37.59M in 2016. The decrease was due to the decrease in of some financial assets and collections of receivables. The total of other current assets also increased particularly the advances to sub-contractors and suppliers due to recoupment thereof. However, the item Creditable Withholding Taxes account classified under other current assets increased as the Company was not able to apply thereof against income tax liability due net loss.

#### *Liquidity*

Current ratio decreased from 1.14:1 in 2016 to 1.16:1 in 2015. This can be attributed to the increase in the current assets accounts such as trade receivables and advances to contractors and suppliers. Moreover, trade and other payable accounts decreased.

#### *Leverage*

The Company posted a debt-to-equity ratio of 7.47:1 in 2016 and 7.45:1 leverage ratio in 2015. The increase can be attributed to the decrease in financial liability of the company.

### **2015 Performance**

#### *Revenues*

In 2015, the Company generated P14.62M contract revenues, 21.35% lower than previous year revenue of P18.59M. This revenue came from land development and housing projects located at Porchview. Total revenues generated from these projects amounted to P 14.62M.

#### *Gross Profit*

Gross profit from construction contracts amounted to P2.36M, 17.46% lower than the previous year's P2.87M. The gross profit ratio decreased from 16% to 15%. This is due to the decrease in cost of sales for the year 2015.

#### *Cost and Expenses*

Construction cost decreased by 22% from P 15.72M in 2014 to P 12.27 in 2015. The decrease in cost can be attributed to the decrease in revenue since this account is variable in nature. Administrative expenses decreased from P 1.5M in 2014 to P 1.4M in 2015.

#### *Income (Loss) from Operations*

Income (Loss) from operations amounted to (P233K) and P78K in 2015 and 2014, respectively. Operating margin (loss) likewise decreased to (1.59) in 2015 from 0.42 in 2014. The losses in 2015 can be attributed to the lower revenue generated in 2015.

#### *Net Income (Loss)*

As a result of the foregoing, the company incurred a net income (loss) of (P490K) and P382K in 2015 and 2014, respectively. Correspondingly, net income (loss) ratio is (0.45%) and 0.35% in 2015 and 2014, respectively. Earnings (Losses) per share likewise decreased from P0.035 in 2014 to (P0.0025) in 2015.

#### *Total Assets*

Total assets increased by 2%% from P39.82M in 2014 to P 40.61M in 2015. The increase was due to the increase in of some financial assets and collections of receivables. The total of other current assets also increased particularly the advances to sub-contractors and suppliers due to recoupment thereof. However, the item Creditable Withholding Taxes account classified under other current assets increased as the Company was not able to apply thereof against income tax liability due net loss.

#### *Liquidity*

Current ratio decreased from 1.16:1 in 2015 to 1.18:1 in 2014. This can be attributed to the increase in the current assets accounts such as trade receivables and advances to contractors and suppliers. Moreover, trade and other payable accounts decreased.

#### *Leverage*

The Company posted a debt-to-equity ratio of 7.45:1 in 2015 and 6.52:1 leverage ratio in 2014. The decrease can be attributed to the increase in financial liability of the company.

### **Key Performance Indicators**

#### *Return on Investment (ROI)*

The Company computes return on investment (ROI) by dividing net income for the period by the weighted average capital stock, wherein capital stock equals capital stock subscribed plus net additional paid-in capital. This is to determine how much stockholders have earned on their investment in the Company.

The Company set the hurdle rate for its ROI at 8%. The Board of Directors as well as the Management believe that an 8% hurdle rate for its ROI is reasonable given that the Company is still relatively young, it is barely eight (8) years in operation. The Company posted a 4.40% ROI in 2001, the Company's first full year in operations. In 2002, the Company has somehow made its mark in the industry as translated by a 289% increase in revenues and 240% increase in net income. With the marked increase in both revenue and net income, the Company posted a 10.59% ROI in 2002, a 141% increase from 2001. In 2003, the Company's operations has normalized and posted an 8.64% ROI, a slight decrease of 18% from the 2002 level. In 2004, revenue was maintained at the P 242M level, with a zero percent (0%) growth from 2003. However, as an effect of the decline in costs and expenses, as well as financing costs, of 2% and 56%, respectively, ROI increased by 5.32% resulting to a 9.1% ROI. However, due to the decrease in net income, the ROI decreased by 72.53% resulting to 2.53% ROI only in the year 2005. With the lower revenue and income for the year 2006, ROI decreased by 87.3% resulting to .32% ROI in the year 2006. In the year 2007, 2008 and 2009, due to net losses, negative ROI of 20.90%, 16.00% and 23.10% were incurred, respectively. Likewise in 2010 and 2011, negative ROI of 5.9% and 11.2%, respectively, were incurred. In 2012, 2013, 2014, 2015, 2016 and an ROI of -6.50%, -36.82%, 0.26%, -0.25%, -0.51% and 0.70% respectively, were posted.

#### *Fixed Assets Turnover*

Fixed assets turnover is computed as sales for the period divided by the average fixed assets. A significant portion of the fixed assets (property and equipment, net of accumulated depreciation) is composed of construction and other site-based equipment. Since these equipments are major components in generating revenues, the fixed assets turnover is therefore deemed important. The higher the fixed assets turnover, the better it is for the Company. A high fixed assets turnover ratio would mean that the Company was able to make full use of its assets in generating revenues.

In determining the fixed assets turnover ratio and the succeeding performance indicators, the Board of Directors and the Management have decided to drop the 2001 figures in computing for the historical averages. Since the year 2001 is the Company's first full year in operations, it is not yet reflective of the normal business operations.

The fixed assets turnover rate for 2001 was 14.63 times. As mentioned earlier, this figure would be dropped in determining the historical average. The Company has decided to use the historical average of the fixed assets turnover rate for 2003 and 2002, which is, 33.56 times, as its benchmark. The fixed assets turnover rate of 32.51 times and 34.61 times, for 2003 and 2002, respectively, are at par with the set hurdle rate. This can be attributed to the high level of revenues generated during the said period. In addition, the Company has not acquired its construction equipments yet. From the start of operations up to 2003, the Company leased a majority of its construction equipments under an operating lease thereby resulting to a small asset base. In 2004, however, the Company's fixed assets turnover rate dropped to 12.30 times, 62% lower than the previous year rate. In 2005, the fixed assets turnover rate further dropped to 10.15 times, 17% lower than that of 2004. The decline was caused by the marked increase in fixed assets brought about by the acquisition of construction facilities, land development equipment, collapsible barracks, stockyards and container vans, and by the establishment of a batching plant. These were acquired in the first quarter of 2004 and the Company is still in its initial stages of recovering the cost of acquiring the said assets. The assets turnover rate improved from 10.15 times in 2005 to 11.07 times in 2006 to 14.15 times in 2007 despite of diminishing sales revenue generated merely because of the decrease of the net carrying value of the company's fixed asset. Likewise in 2008, 2009, 2010, and 2011 it improved to 22.88, 220.6, 7,582, and 6,309 times, respectively, merely due to the decrease in the ending balance of the fixed asset account despite of the decrease in revenue. In 2012, 2013 and 2014. the fixed assets turnover rate was posted at 3,276 times, 372 and 4 times, respectively. In 2015, the fixed assets were fully depreciated.

#### *Inventory Turnover/Days in Inventory*

Inventory turnover is computed by dividing the cost of goods sold for the period by the average inventory while days in inventory is computed as 360 days divided by inventory turnover. The Board of Directors and the Management find these performance indicators relevant as they indicate how long the Company utilizes its inventory, composed of construction materials and other supplies, in land development, house construction and specialty/miscellaneous works. The higher the inventory turnover and the lower the days in inventory, the better it is for the Company. Fast turnover and short days in inventory would translate into faster conversion of investment in inventories into revenues and eventually cash inflow.

The Company established the benchmark at 41.97 inventory turnover rate and 10.65 days in inventory. The figures were based on the historical average for the years 2003 and 2002. As previously mentioned, the figures for 2001 was dropped in determining the hurdle rate as it is not reflective of normal operations. In fact, inventory turnover rate for 2001 was 332.61 times while days in inventory is 1.08 days. Since 2001 is the Company's first full year in operations, it was just starting to build up its inventory. This resulted to an extremely high inventory turnover rate and an improbable 1.08 days in inventory. In 2002, the Company has started building up its inventory and has likewise increased its cost of service. Inventory level went up from P 0.3M in the beginning of the year up to P 8.0M at the end of the year or an average of P 4.1M. Cost of service, on the other hand, increased from P 60.1M in 2001 to P 249.9M in 2002, a 316% increase. This resulted to a 60.49 times inventory turnover rate, an 82% decrease from 2001 figure, and 5.95 days in inventory, a 450% increase from 2001. Since the Company has experienced abrupt increases in the cost of materials, it started its practice of stocking up materials and supplies to counter the effect of these price increases and in anticipation of large volumes of construction contracts. This hedging technique resulted to a 23.45 inventory turnover rate in 2003, a 61% decline from 2002, and 15.35 days in inventory, a 158% increase from 2002. Still, in 2004, the Company continued stocking up its materials and supplies as it anticipated increases both in the price of materials and in the number of contracts. Unfortunately, however, the expected increase in projects did not materialize while its average inventory level doubled from the previous year. This resulted to an inventory turnover rate of 11.75 times, 50% lower than the 2003 rate, and 30.64 days in inventory, quite long when compared with the hurdle rate of 10.65 days. In 2005, the inventory turnover rate posted to 10.76 times, 8.4% lower than the previous year's and 33.46 days in inventory, still quite long compared with the hurdle rate of 10.65 days. In 2006, the inventory turnover rate posted to only 7.83 times, 27.26% lower than the previous year's and 45.98 days in inventory,. In 2007, the inventory turnover rate further



decreased to 5.89 times or 61.07 days in inventory due to lower sale revenue. However in 2008 and 2009, the company generated an inventory turnover rate of 8.25 and 9.59 times or 43.64 and 37.54 days in inventory, respectively, merely due to the decrease in the ending balance of inventory. In 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 the Company did not maintain inventory due to the awarding of contracts to its sub-contractors on a straight basis where the latter provides also the materials.

#### *Current Ratio*

Current ratio is computed as current assets divided by current liabilities. The Board of Directors and the Management believe that this is an important measure of the liquidity of the Company as it reflects the capacity of the Company to pay for its short-term maturing obligations particularly trade payables, bank loan and advances from customers. The higher the current ratio, the better it is for the Company.

In 2001, the Company's operations resulted to a 0.72:1 current ratio. The Company was just on its first full year of operations in 2001 and was still building up its asset base. Thus, similar to the above performance indicators, the 2001 figure was not included in determining the historical average. The historical average for 2003 and 2002 of 1.54:1 will be set as the hurdle rate. It was only in 2002 that the Company's current ratio of 1.29:1 fell below the benchmark. Although already 79% higher than the 2001 figure, it is still 16% short of the hurdle rate. In 2003, current ratio started to improve as a result of the initial public offering (IPO) in December. With the P 55M proceeds from the IPO, cash balance as of year-end 2003 totaled P 62.3M, a 651% increase from the 2002 figure. This resulted to a current ratio of 1.78:1, 38% higher than the previous year ratio. In 2004, however, current ratio slid by 3% from the previous year resulting to a current ratio of 1.74:1. This was the result of the acquisition of construction equipments and the settlement of P 15M bank loan in the early part of the year. In 2005, the current ratio further improved to 1.90:1, 9.2% higher than the previous year. In 2006, the current ratio has improved further by 12.84% from 1.90:1 in 2005 to 2.14:1 in 2006. However, in 2007 the current ratio posted at 1.91:1, the decrease can be attributed to the decrease in the current asset account particularly the trade receivables due to recognition of impairment thereof. In 2008, it posted at 2.10:1. The increase can be attributed to the payment of company's interest-bearing loan and in the increase of the ending balance of cash and cash equivalents. In 2009 and 2010, it posted at 4.20:1 and 4.29:1, respectively. This can be attributed to the decrease in the current assets accounts such as trade receivables and advances to contractors and suppliers. While in 2011, it posted at 2.79:1 due to the increase in trade and other payables accounts particularly for the advances from clients. In 2012, 2013, 2014, 2015, 2016 and 2017, current ratio was posted at 3.06:1, 1.17:1, 1.18:1, 1.16:1, 1.14:1 and 1.15:1 respectively.

#### *Debt to Equity Ratio*

Debt-to-equity ratio is computed by dividing the Company's liabilities by the total stockholders' equity as of the end of the year. The leverage ratio indicates how the Company's operations are financed, that is, either by debt or equity. A 1:1 debt equity ratio is the preferred ratio as it favors both the creditors and the stockholders.

The historical average debt-to-equity ratio for the years 2003 and 2002 was 0.96:1, very close to the ideal 1:1 ratio. The 2001 leverage ratio was dropped to be consistent with the other performance indicators which considered only the years 2003 and 2002 in computing the average. In 2001, debt-to-equity ratio reached a high of 3.02:1 because the Company had to borrow from the banks to support its operations. Capital stock was not yet fully paid as of that time. The following year, 2002, debt-to-equity ratio dropped by 62% and resulted to a leverage ratio of 1.14:1. The marked improvement in the debt-to-equity ratio was brought about by the settlement of P 21.5M bank loan. In addition, the unpaid subscriptions were paid by the stockholders in April 2002 and retained earnings increased by 293% from P 2.0M in 2001 to P 7.8M in 2002. The debt-to-equity ratio was further reduced by 31% to 0.79:1 in 2003. The reduction was due to the additional subscription and full payment through the IPO of P 50M capital stock. Also, the level of retained earnings almost doubled from P 7.8M in 2002 to P 13.3M

in 2003. In 2004, P 15M bank loan was settled in the early part of the year while retained earnings increased by 70% from P 13.3M in 2003 to P 22.7M in 2004. This resulted to a debt-to-equity ratio of 0.68:1, a 14% drop from the previous year ratio. In 2005, the debt-to-equity ratio posted at 0.61:1, 10% drop from the previous year's due to lower liability particularly the trade payable account where the liquidation of advances to suppliers were made. In 2006, the debt-to-equity ratio posted at 0.55:1, a 12% drop from the previous year's due to lower liability account particularly the trade payables account. In 2007, 0.62:1 debt-to-equity ratio was posted. In 2008, 2009 and 2010, a 0.59:1, 0.325:1 and 0.312:1 debt-to-equity ratios were posted, respectively. In 2011, 2012, 2013, 2014, 2015, 2016 and 2017 it posted at 0.57:1, 0.50:1, 6.64:1, 6.52:1, 7.45:1, 8.47:1 and 7.72:1, respectively. With the most recent debt-to-equity ratio, creditors are still fully covered.

Item 6.1. Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations of the following:

6.1.a. Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

There are no material commitments that may affect the company's liquidity.

6.1.b. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

There are no material commitments for capital expenditures.

6.1.c. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations

For the year 2017, the Company generated small revenue from construction activities due to completion of old project. The Management expects that Company will still continue to engage in construction until such time that its plan to engage into real estate business is pursued.

6.1.d. Any significant elements of income or loss that did not arise from the issuer's continuing operations

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

6.1.e. The causes of any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements (present in tabular form)

The causes of any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements (present in tabular form)

### Balance Sheets

#### Items:

Account Title	As Of		Inc/(Dec)		Remarks
	31-Dec-17	31-Dec-16	Amount	%	
Cash & cash equivalents	4,652,040	2,800,117	1,851,923	66%	Increase due to collection of accounts receivable of the company
Prepayments and other current assets	21,492,099	20,088,814	1,403,285	7%	Increase was due to the creditable withholding tax account and down payment made to subcontractors for newly awarded contracts
Total current assets	41,111,666	37,581,569	3,530,097	9%	Increase was due to increase in receivables and prepayments as described above
Due to Related Parties	11,608,805	9,753,050	1,855,755	19%	Additional non-interest bearing loan was granted
Retirement benefit obligation	131,145	172,564	(41,419)	-24%	Decreased due to the revaluation reserve
Total Liabilities	35,789,695	33,145,700	2,643,995	8%	Decrease was due to the decrease in the financial obligations of the company as described above
Revaluation Reserve	37,143	(21,954)	59,097	269%	Increase due to reclassification of retirement obligation
Total equity	5,321,972	4,435,869	886,103	20%	The increase pertains to net profit earned by the company for 2017
Total Liabilities and Equity	35,789,695	33,145,700	2,643,995	8%	Increase due to the increased in trade payable and the net income earned in 2017

**Income Statement Items:**

Account Title	For the Year Ending		Inc/(Dec)		Remarks
	12/31/2017	12/31/2016	Amount	%	
Revenues	35,865,792	12,843,469	23,022,323	179%	Increase was due to higher awarded and accomplished contracts in 2017
Contract Cost	31,398,655	10,767,108	20,631,547	192%	Increase was due to higher awarded and accomplished contracts in 2017 as this account is variable in nature
Gross Profit	4,467,137	2,076,361	2,390,776	115%	Increase in profit margin was due to higher accomplishment made in 2017
Other operating expenses	2,213,144	1,127,737	1,085,407	96%	Increase was due to higher contractual services availed in 2017
Operating Profit	825,903	(507,792)	1,333,695	- 263%	Increase in profit margin was due to higher revenue generated in 2017
Finance income	33,443	31,395	2,048	7%	This pertains to interest earned for the given year
Finance cost	(8,887)	(38,371)	29,484	-77%	Decrease was due to lower recognition of finance cost pertaining to financial assets and liability
Income Before Tax	850,459	(514,768)	1,365,227	- 265%	This was due higher profit margin generated in 2017 as described above
Tax Expense	(23,454)	(47,806)	(24,352)	51%	This pertains to tax expense applicable to taxable income before comprehensive income
Net Income	850,459	(514,768)	1,365,227	- 265%	This was due higher profit margin generated in 2017 as described above
Gain/(loss) on re-measurement of post-employment benefit	75,015	171,321	(96,306)	-56%	This pertains to remeasurement of retirement obligation recognized by the company
Tax expense	(15,918)	-	15,918	100%	This pertains to tax expenses applicable to the recognition of comprehensive income
Total Comprehensive Income	886,102	(391,253)	1,277,355	- 326%	This was due higher profit margin generated in 2017 as described above

## Item 7. Financial Statements

Included in this report are the audited Comparative Financial Statements of the Company for the years ended December 31, 2015, 2016 and 2017.

## Item 8. Information on Independent Accountant and other Related Matters

### External Audit Fees and Services

	2017	2016
Audit and Audit-Related Fees	360,000	360,000
Tax Fees	- nil -	- nil -
All Other Fees	- nil -	- nil -

### Audit and Audit-Related Fees

The services rendered by the External Auditor for which the foregoing fees were paid include the audit of the Company's annual Financial Statements and such other services that are normally provided by the external auditor in connection with statutory and regulatory filing or engagements for those engagement years

### Tax Fees

Tax accounting, compliance, advice, planning and other form of tax services are not rendered by the appointed external auditor of the Company, but are secured from other entities when needed

### All Other Fees

The appointed External Auditor of the Company does not render and/or provide product or service to the Company other than those provided under the caption "Audit and Audit-Related Fees"

Following are the criteria used in the selection of an external auditor:

1. The auditor must be among the list of accredited external auditors by the SEC.
2. No partner of the auditing firm must be related by consanguinity or affinity to the president, manager or principal stockholders of the Company.
3. The auditor must not have engaged in any irregularities with respect to any audit engagement.

Following are the criteria for the approval of audit fees:

1. The fee must not be based on any tax savings nor should it be based on revenues or net income.
2. The fee must be of a reasonable amount.
3. Discussion with the auditor must be made before the fee is finalized.

### Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The financial statements of the Company for the years ended December 31, 2017, 2016 and 2015, including the notes thereto, were audited by Punongbayan & Araullo. There were no disagreements with the auditing firm on accounting and financial disclosures.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

#### Board of Directors

Following are the incumbent members of the Board of Directors of the Company:

**Ferdinand Z. Soliman, 54, Chairman and President.** Mr. Soliman is a Filipino citizen, and is a member of the board and has been its Corporate Secretary since the Company's incorporation. He became Managing Director in January 2002. In addition, he became a member of the Nomination Committee and of the Compensation and Remuneration Committee on May 12, 2004 and June 30, 2004, respectively. Mr. Soliman graduated from the Holy Angel University in 1985 with a Bachelor of Science degree in Civil Engineering. He also completed the Applied Business Economics Program from the University of Asia and the Pacific in 2002. He is a director of GPS Measurement. He was formerly affiliated with GP Construction & Development Corporation as CE Aide (1983 to 1984); Torre Planning & Design as Surveyor (1984 to 1985); Nico Construction as Project Engineer (1986 to 1988); White House Development Corporation as Section Head (1988 to 1993); Extraordinary Development Corporation as Project Manager (1994 to 1997); and Earth + Style Corporation as Department Head (1998 to 2001). He handles the Operations group of the Company.

**Emelita M. Mangosing, 54, Corporate Secretary.** Ms. Mangosing is a Filipino citizen, and is a member of the board since 2011 and became Corporate Secretary in June 2011. She graduated in 1985 from Central Polytechnic College presently known as Nueva Ecija University of Science and Technology with a Bachelor of Science degree in Civil Engineering. She is a licensed Civil Engineer with solid years of experience in construction industry. She served the Company for several years as Project Manager bringing with her more than 20 years of experience in construction and real estate project management. She is affiliated with Extraordinary Development Corporation as Head of the Procurement Management Unit. Moreover, she gained years of experience in construction with Golden Bay Realty Development Corporation as Head of the Quality Control Department and at Supreme Housing Builders as Project Manager.

**Mylene T. Lim, 54, Treasurer.** Ms. Lim is a Filipino citizen, and is a member of the board since the Company's incorporation and became Managing Director in January 2002 and Assistant Corporate Secretary during the June 30, 2004 Organizational Meeting of the Board of Directors. She graduated from the University of Mindanao in 1985 with a Bachelor of Science degree in Architecture. She completed her Masters in Business Administration at the Ateneo Graduate School in 2001. She was formerly affiliated with Extraordinary Development Corporation as Section Head – Purchasing Dept. (1987 to 1990), Department Head – Purchasing Dept. (1990 to 1998), Administrative and R&D Head – Construction Group (1998 to 2000), and AVP – Central Purchasing (2000 to 2001). She is in charge of the Finance and Administration group of the Company.

**Noric Terence T. Ng, 43, Independent Director.** Mr. Ng is a Filipino citizen, and is a director since January 23, 2002. He graduated from the Chiang Kai Shek College in 1997 with a Bachelor of Science degree in Computer Studies. He is currently an Assistant Plant Manager at Republic Biscuit Corporation.

**Fernando Mamuyac, 53, Acting Deputy General Manager-Operation,** Filipino, He was elected as a member of the Board during the June 2010 annual Stockholders' Meeting. Engr. Mamuyac served the Company since May 2001, bringing with him more than 20 years of experience in project management gained from the private construction and real estate companies. He graduated from the Technological Institute of the Philippines in 1989 with a Bachelor of Science degree in Civil Engineering. He had attended Executive Training Program and various seminars on leadership, accounting, computer, and other technical seminars from various institutions

The members of the board shall hold office until their successors are elected and qualified in their stead, or until they shall have resigned or shall have been removed. The annual stockholder's meeting shall be held on June 28, 2017.

### **Independent Directors**

**Ms. Liza S. Niedo, 47, Independent Director.** Ms. Niedo is a Filipino citizen. She graduated from Polytechnic University of the Philippines in April 1990 with a Degree of Bachelor in Accountancy. She took up post graduate studies and completed her Masters in Business Administration at Jose Rizal University in April 2010. She gained her 20 years of experience in the accounting profession through her work in various companies such as Prosperity Builders Resources Inc. as Finance Head, First Advance Development Corporation as IT-Consultant, and Extraordinary Development Corporation. She currently works as Treasury Head in Extraordinary Development Corporation, a real estate company.

**Engr. Roseller C. Anacito, 53, Independent Director.** Engr. Anacito is a Filipino citizen. He graduated from University of Nueva Caceres in October 1986. He gained his 25 years of experience in project management from the private construction and real estate companies such as Extraordinary Development Corporation and City and Life Property Inc as Project Manager. He also served the company as Project Manager in year 2002 to 2008. He is currently working as Head of the Construction Management Department at First Advance Development Corporation, a real estate company.

### **Principal Officers**

The following are the principal officers of the Company and their respective areas of responsibility.

**Ferdinand Z. Soliman, 54, Chief Executive Officer,** heads the Operations unit. Mr. Soliman is a member of the board. He became Managing Director in January 2002. In addition, he became a member of the Nomination Committee and of the Compensation and Remuneration Committee on May 12, 2004 and June 30, 2004, respectively. Mr. Soliman graduated from the Holy Angel University in 1985 with a Bachelor of Science degree in Civil Engineering. He also completed the Applied Business Economics Program from the University of Asia and the Pacific in 2002. He is a director of GPS Measurement. He was formerly affiliated with GP Construction & Development Corporation as CE Aide (1983 to 1984); Torre Planning & Design as Surveyor (1984 to 1985); Nico Construction as Project Engineer (1986 to 1988); White House Development Corporation as Section Head (1988 to 1993); Extraordinary Development Corporation as Project Manager (1994 to 1997); and Earth + Style Corporation as Department Head (1998 to 2001). He handles the Operations group of the Company.

**Mylene T. Lim, 54, Managing Director and Principal Financial Officer.** Ms. Lim is a Filipino citizen, and is a member of the board since the Company's incorporation and became Managing Director in January 2002 and Assistant Corporate Secretary during the June 30, 2004 Organizational Meeting of the Board of Directors. Currently, she is also the elected Treasurer of the Company. She graduated from the University of Mindanao in 1985 with a Bachelor of Science degree in Architecture. She completed her Masters in Business Administration at the Ateneo Graduate School in 2001. She was formerly affiliated with Extraordinary Development Corporation as Section Head – Purchasing Dept. (1987 to 1990), Department Head – Purchasing Dept. (1990 to 1998), Administrative and R&D Head – Construction Group (1998 to 2000), and AVP – Central Purchasing (2000 to 2001). She is in charge of the Finance and Administration group of the Company.

**Fernando Mamuyac, 53, Acting Deputy General Manager-Operation,** Filipino, He was elected as a member of the Board during the June 2010 annual Stockholders' Meeting. Engr. Mamuyac served the Company since May 2001, bringing with him more than 20 years of experience in project management gained from the private construction and real estate companies. He graduated from the Technological Institute of the Philippines in 1989 with a Bachelor of Science degree in Civil Engineering. He had attended Executive Training Program and various seminars on leadership, accounting, computer, and other technical seminars from various institutions

**Enrique C. Cunanan, 48, Acting Deputy General Manager-Finance and Administration,** Filipino, heads the Finance Department. Mr. Cunanan has been with the Company since the start of its operation. He graduated from the Pampanga College in 1989 with a Bachelor of Science degree in Commerce and earned units in Masters of Science in Information Technology at the Ateneo Graduate School. He also had several training conducted by the Philippine Institute of Certified Public

Accountants. He has been an Accountant since 1991 in several construction firms. He is the Company's Compliance Officer to the Securities and Exchange Commission (SEC) and Corporate Information Officer (CIO) to the PSE.

#### Family Relationships

There were no family relationship existed among the current directors and officers of the company

#### Involvement in Certain Legal Proceedings

At present, the Company is not aware of:

- any bankruptcy petition filed by or against any business of which the incumbent Directors or senior management of the Company was a general partner or executive officer, either at the time of the bankruptcy or within five (5) years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent Directors or senior management of the Company;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent Directors or senior management of the Company in any type of business, securities, commodities or banking activities; and
- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent Directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

#### **Item 10. Executive Compensation**

The following table shows the aggregate compensation received by the President, Chief Operating Officer, Acting Deputy General Manager-Finance/Admin, Acting Deputy General Manager-Operations, and the most highly compensated officer of the Company for the years 2015, 2016 and 2017 (estimate only).

Summary Compensation Table:

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (P)</b>	<b>Bonus (P)</b>
Enrique Cunanan, ADGM-Finance/Admin Engr. Fernando Mamuyac, ADGM-Operations Engr. Emelita Mangosing, PMU-Head Arch. Mylene Lim, Controller Engr. Ferdinand Soliman, CEO	2016 (actual)	570,664	Nil
	2017 (actual)	441,224	Nil
	2018 (estimate)	850,000	Nil
All Directors and Officers as a Group Unnamed	2016 (actual)	570,664	Nil
	2017 (actual)	441,224	Nil
	2018 (estimate)	850,000	Nil

#### Compensation of Directors

Other than the compensation received by Ms. Mylene Lim and Mr. Ferdinand Soliman as Managing Directors, there are no other standard and other arrangements between the Company and the directors. However, the Company gives per diem to its directors in the amount of Php 4,000.00.



### Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no compensatory plans or arrangements with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change in control in the Company.

### Warrants and Options Outstanding

There are no outstanding warrants and options held by the Company's directors and officers.

## **Item 11. Security Ownership of Certain Beneficial Owners and Management**

### Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2017, the following own of record or beneficially, approximately the following number of shares representing more than 5% of the Company's issued and outstanding capital stock:

Title Of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	Wilfredo Uy (1) 1634 Pampanga St. Sta. Cruz Manila	Wilfredo Uy	Filipino	18,000,000	16.36
Common	Mylene Lim (2) 21 Alvir St. Little Baguio San Juan M.M.	Mylene Lim	Filipino	10,850,000	9.86
Common	Nimfa Leonco (3) 54 Gregory St. Saint Charbel Village Mindanao Avenue Q.C.	Nimfa Leonco	Filipino	10,850,000	9.86
Common	Arthur Lim (4) 21 Alvir St. Little Baguio San Juan M.M.	Arthur Lim	Filipino	7,150,000	6.50
Common	Ferdinand Soliman (5) 14 Mapagbigay St. Diliman Q.C.	Ferdinand Soliman	Filipino	7,150,000	6.50

(1) Wilfredo Uy was once the Chairman and President of the Company.

(2) Mylene Lim is a Managing Director and Treasurer of the Company.

(3) Nimfa Leonco is a mere stockholder of the Company

(4) Arthur Lim was once the Chairman and President of the Company.

(5) Ferdinand Soliman is the current Chairman and President of the Company.

### Security Ownership of Management

As of December 31, 2017 the following Directors and key officers owned, of record or beneficially, approximately the following number of shares of the Company's issued and outstanding capital stock:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	%
Common	Ferdinand Soliman	7,150,000	Direct	Filipino	6.50
Common	Mylene Lim	10,850,000	Direct	Filipino	9.86
Common	Emelita Mangosing	10,000	Direct	Filipino	Nil
Common	Noric Ng	3,000,000	Direct	Filipino	2.73
Common	Enrique Cunanan	10,000	Direct	Filipino	Nil
Common	Luisito Pascual	10,000	Direct	Filipino	Nil

Common	Fernando Mamuyac	10,000	Direct	Filipino	Nil
Common	Ana Tensuan	10,000	Direct	Filipino	Nil
Common	Jean Cestina	2,000	Direct	Filipino	Nil
Common	All directors and executive officers as a group	21,045,000			19.09

#### Voting Trust Holders of 5% or more

There is no party known to the Company as holding any voting trust or any similar arrangement for 5% or more of the Company's voting securities.

#### Changes in Control

There is no arrangement which may result in a change in control of the Company.

### **Item 12. Certain Relationships and Related Transactions**

The Company's related parties include entities under common ownership or control, and the Company's key management. The following is a summary of the transactions of the Company with its related parties:

Related Party Category	Amount of Transactions		Outstanding Balance	
	2017	2016	2017	2016
Related Parties under Common Ownership:				
Construction Services	35,865,792	12,843,469	14,757,835	80,414,434
Advances from Related Parties	1,855,755	823,650	(11,608,805)	(9,753,050)
Advances to Related Parties	(8,741,550)	179,164	179,164	8,920,714
Key Management Personnel:				
Compensation	441,224	570,664	(131,145)	(172,564)

The Company renders construction services to certain related parties under common ownership for certain real estate projects of the latter. Construction services are recognized based on the actual work done which is consistent with the percentage of completion method.

Total advances to related parties are presented as Advances to Related Parties under Receivables in the statement of financial position. The advances are provided with allowance for impairment amounting to P8.7 million as at December 31, 2016 and was written off 2017.

Movements in the Advances to Related Parties account are shown below:

	2017	2016
Balance at beginning of the year	8,920,714	8,741,550
Write-off of advances	(8,708,905)	
Collections	(32,645)	
Additions		6,600
Assumption of post-employment benefit		172,564
Allowance for Impairment	-	(8,708,905)
Balance at end of year	179,164	211,809

## **PART IV – CORPORATE GOVERNANCE**

### **Compliance with the Manual of Corporate Governance**

(A) The Company aims to adopt the systems and practices of good corporate governance to enhance the value of the Company to its shareholders. In compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 2 Series of 2002, the Company submitted to the SEC its Manual on Corporate Governance (the “Manual”) last December 19, 2003, the listing date of the Company’s shares. On May 12, 2004, the Board of Directors appointed a Corporate Governance Compliance Officer whose duties include the monitoring of compliance by the Company, its directors, officers and employees with the Company’s Manual on Corporate Governance and adherence to sound corporate governance principles and best practices.

(B) The Compliance Officer, in coordination with other officers of the Company, measures or determines the level of compliance by the Company, its directors, officers and employees with the provisions of the Manual and other laws, rules and regulations regarding corporate governance.

(C) The Company is not aware of any non-compliance with its Manual of Corporate Governance, by any of its officers or employees.

(D) The Company shall continuously update the Manual in the form of Supplements to incorporate additional governance-related provisions required under the implementing rules and regulations that are released, from time to time, by the Security Exchange Commission and the Philippine Stock Exchange. Moreover, the Compliance Officer shall always take note of any improvements that need to be made in its Manual.

## **PART V - EXHIBITS AND SCHEDULES**

### **Item 13. Exhibits and Reports on SEC Form 17-C**

#### **(a) Exhibits**

##### Financial Statements

1. Statement of Management's Responsibility for Financial Statements
2. Report of Independent Auditors
3. Statements of Financial Position as of December 31, 2017 and 2016
4. Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016, and 2015
5. Statements of Changes in Equity for the Years Ended December 31, 2017, 2016 and 2015
6. Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015
7. Notes to Financial Statements

##### Supplementary Schedules

1. Report of Independent Auditors on Supplementary Schedules
2. Supplementary Schedules Table of Contents
3. Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
4. Schedule D. Indebtedness to Unconsolidated Subsidiaries and Related Parties
5. Schedule I. Capital Stock
6. Summary of Financial Soundness Indicators
7. Schedule of PF RS Effective as of December 31, 2017

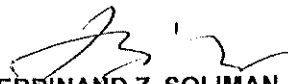
#### **(b) Reports on SEC Form 17-C**


None

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 11, 2018.

By:

  
**FERDINAND Z. SOLIMAN**  
Principal Executive Officer

  
**ENRIQUE C. CUNANAN**  
Principal Accounting Officer

  
**MYLENE T. LIM**  
Treasurer


  
**EMELITA MANGOSING**  
Corporate Secretary

13 APR 2018

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2018 affiant(s) exhibiting to me his/their Residence Certificates/TIN, as follows:

NAMES	TIN
Ferdinand Soliman	106-835-141
Mylene Lim	106-835-915
Emelita Mangosing	106-962-707
Enrique Cunanan	116-426-195

DOC NO. 424  
PAGE NO. 89  
BOOK NO. XII  
SERIES 9218

  
**ROMMEL B. BALIGOD**  
NOTARY PUBLIC UNTIL DECEMBER 31, 2018  
181st FLR JOY NOSTALG CENTER  
NO. 17 ADR AVENUE, ORTIGAS  
PASIG CITY, PASIG, ORTIGAS  
PTR NO. 7525805 01-08-18/O.C.  
IBF NO. LRN-07039/6-21-07/RIZAL  
RDEL NO. 51224  
MCLE NO. V-0002188 - 05-08-14  
MCLE NO. V-0002188 - 05-08-14



**SuperCity Realty Development Corporation**

*Service... Reliability... Development... Care...*

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

April 11, 2018

The Securities and Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

The management of SUPERCITY REALTY DEVELOPMENT CORPORATION (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

PUNONGBAYAN & ARAULLO, the independent auditors appointed by the stockholders, has audited the financial statements of the SUPERCITY REALTY DEVELOPMENT CORPORATION in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to read "F. Soliman", written over a horizontal line.

FERDINAND Z. SOLIMAN  
Chairman of the Board

A handwritten signature in black ink, appearing to read "F. Soliman", written over a horizontal line.

FERDINAND Z. SOLIMAN  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "M. Lim", written over a horizontal line.

MYLENE T. LIM  
Treasurer/Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 13 APR 2018 at PASIG CITY 2018 affiant(s)  
exhibiting to me his/their Residence Certificates/TIN, as follows:

NAMES	TIN
Ferdinand Soliman	106-835-141
Mylene Lim	106-835-915

DOC NO. 402  
PAGE NO. 89  
BOOK NO. XII  
SERIES 7 218

Rommel B. Baligod  
NOTARY PUBLIC UNTIL DECEMBER 31, 2018  
41st FL. JOY HOSTEL CENTER  
NO. 17 - 1st WING - ORTIGAS  
PASIG CITY  
PTR NO. 7525805 01-08-18/O.C.  
BPP NO. LRN-11763916-21-07/RIZAL  
ROLL NO. 51224  
ICLE NO. V-0002188 - 05-08-14

# **Report of Independent Auditors**

**The Board of Directors and Stockholders**  
**Supercity Realty Development Corporation**  
41st Floor, Joy-Nostalg Building  
No. 17 ADB Avenue, Ortigas Center  
Brgy. San Antonio, Pasig City

## **Report on the Audit of the Financial Statements**

### ***Opinion***

We have audited the financial statements of Supercity Realty Development Corporation (the Company), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2017 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

### ***Basis for Opinion***

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



### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 1.2 to the financial statements, which provides relevant information on the status of operations of the Company. As discussed therein, the Company reported a substantial deficit of P106.2 million and P107.1 million as at December 31, 2017 and 2016, respectively. This condition, along with the other matters set forth in Note 1.1, indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In this regard, the Company's management has intensified its commitment to improve profitability and financial stability of the Company through continuation of its construction activities with its related parties while its transition to a real estate development company is still underway. In addition, the same related parties have expressed their commitment to provide continuing financial support to the Company until such time that the Company is able to improve its financial condition. In connection with our audit, we have performed audit procedures to evaluate management's plans and actions as to likelihood of improving the situation and as to feasibility under the circumstances. Accordingly, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### ***(a) Revenue Recognition of Construction Contracts***

##### ***Description of the Matter***

The Company solely derives its revenues from construction contracts with its related parties. The Company uses the percentage of completion method to determine the appropriate amount to recognize as contract revenues in a given period. In our view, the revenue recognition of construction contracts is significant to our audit as it involves significant management judgment and estimate on the stage of completion of each construction contract.

The Company's disclosures on revenue recognition policy on construction contracts, estimation uncertainty on accounting for revenue recognition using the percentage of completion, and contract revenues are included in Notes 2, 3, and 12 to the financial statements, respectively.

##### ***How the Matter was Addressed in the Audit***

Our audit procedures to address the risk of material misstatement relating to revenue recognition of construction contracts, which was considered to be a significant risk, included, among others, the following:

- Updating our understanding of the Company's contract revenues and costs processes, and controls over the recognition and measurement of contract revenues and costs;
- Examining all construction contracts in the current period for contract prices, construction period, terms and other conditions, and compliance;

- Testing the schedules of contracts completed and on-going project as of the end of the reporting period such as, but not limited to, verifying the mathematical accuracy of the schedules, agreeing beginning balances, and recalculating ending balances based on contract costs for the current period; and agreeing contract prices to construction contracts;
- Comparing the stage of completion as determined by project engineers engaged by the Company and its customers against the stage of completion used by the Company;
- Evaluating whether the methodology by which management determines the stage of completion for construction contracts is appropriate and consistent with prior periods;
- Performing analytical review procedures on contract revenues and costs, prior period estimates and consistency with the developments during the current period, stage of completion, and final forecast project results based on our expectations, and following up variances from our expectations, if any;
- Performing detailed analysis of progress billings and actual costs by tracing a sample of transactions throughout the current period to source data to verify the propriety of reported amounts, and verifying the appropriateness of the Company's cut-off procedures on contract revenues; and,
- Evaluating the sufficiency and adequacy of disclosures in the Company's financial statements in accordance with PFRS.

***(b) Recoverability of Significant Past Due Contracts Receivables***

***Description of the Matter***

The Company has significant past due but not impaired contracts receivables (i.e., more than one year) from certain related parties arising from construction operations as of December 31, 2017. The Company evaluates these accounts based on available facts and circumstances affecting the counterparties. In our view, this matter is significant to our audit as it involves significant management judgment and estimate on the recoverability of these significant past due contracts receivables.

The Company's disclosures on estimation uncertainty on determination of impairment of receivables, Receivables account, related party transactions, and credit risk are included in Notes 3, 5 and 12, and 16 to the financial statements, respectively.

***How the Matter was Addressed in the Audit***

Our audit procedures, included among others, the following:

- Updating our understanding of the Company's credit and collection policy;
- Performing detailed analysis of the Company's aging of receivables including, among others, testing the accuracy of the aging buckets on a sample basis, and checking subsequent collections or activities related thereto;
- Evaluating the Company's methodology for identifying credit risk and estimating future cash flows, including the related party debtors' payment abilities by examining payment and transaction history with the Company;

- Performing analytical review procedures including, among others, receivable turnover and other ratio analyses, prior period estimates on allowance for impairment and consistency with the developments during the current period based on our expectations and following up variances from our expectations; and,
- Evaluating the sufficiency and adequacy of disclosures in the Company's financial statements in accordance with PFRS.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

### ***Auditors' Responsibility for the Audit of the Financial Statements***

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

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

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2017 required by the Bureau of Internal Revenue as disclosed in Note 19 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

### **PUNONGBAYAN & ARAULLO**



By: **Ramilito L. Nañola**  
Partner

CPA Reg. No. 0090741

TIN 109-228-427

PTR No. 6616015, January 3, 2018, Makati City

SEC Group A Accreditation

Partner - No. 0395-AR-3 (until May 19, 2019)

Firm - No. 0002-FR-5 (until Mar. 26, 2021)

BIR AN 08-002511-19-2018 (until Jan. 25, 2021)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 11, 2018



**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	P 4,652,040	P 2,800,117
Receivables - net	5	14,967,527	14,692,638
Other current assets	6	<u>21,492,099</u>	<u>20,088,814</u>
<b>TOTAL ASSETS</b>		<b><u>P 41,111,666</u></b>	<b><u>P 37,581,569</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	P 23,900,795	P 23,087,054
Due to related parties	12	11,608,805	9,753,050
Provisions for rework	3	<u>133,032</u>	<u>133,032</u>
Total Current Liabilities		35,642,632	32,973,136
<b>NON-CURRENT LIABILITIES</b>			
Post-employment benefit obligation	10	131,145	172,564
Deferred tax liability	11	<u>15,918</u>	<u>-</u>
Total Non-current Liabilities		<u>147,063</u>	<u>172,564</u>
Total Liabilities		<u>35,789,695</u>	<u>33,145,700</u>
<b>EQUITY</b>			
Capital stock	13	110,000,000	110,000,000
Additional paid-in capital		1,509,641	1,509,641
Revaluation reserve		37,143	( 21,954 )
Deficit		( <u>106,224,813</u> )	( <u>107,051,818</u> )
Total Equity		<u>5,321,971</u>	<u>4,435,869</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 41,111,666</u></b>	<b><u>P 37,581,569</u></b>

*See Notes to Financial Statements.*

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Notes	2017	2016	2015
<b>CONTRACT REVENUES</b>	12	P 35,865,792	P 12,843,469	P 14,622,067
<b>CONTRACT COSTS</b>	9	<u>31,398,655</u>	<u>10,767,108</u>	<u>12,256,779</u>
<b>GROSS PROFIT</b>		<u>4,467,137</u>	<u>2,076,361</u>	<u>2,365,288</u>
<b>OPERATING EXPENSE</b>				
Administrative expenses	9	( 1,428,090 )	( 1,456,416 )	( 1,388,187 )
Other operating expenses	9	( <u>2,213,144</u> )	( <u>1,127,737</u> )	( <u>1,210,236</u> )
		( <u>3,641,234</u> )	( <u>2,584,153</u> )	( <u>2,598,423</u> )
<b>OPERATING PROFIT (LOSS)</b>		<u>825,903</u>	( <u>507,792</u> )	( <u>233,135</u> )
<b>FINANCE INCOME (COSTS) – Net</b>				
Finance income	4	33,443	31,395	34,019
Finance costs	10	( <u>8,887</u> )	( <u>38,371</u> )	( <u>23,460</u> )
		<u>24,556</u>	( <u>6,976</u> )	<u>10,559</u>
<b>PROFIT (LOSS) BEFORE TAX</b>		850,459	( 514,768 )	( 222,576 )
<b>TAX EXPENSE</b>	11	( <u>23,454</u> )	( <u>47,806</u> )	( <u>54,110</u> )
<b>NET PROFIT (LOSS)</b>		827,005	( 562,574 )	( 276,686 )
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment benefit obligation	10	75,015	191,321	( 213,275 )
Tax expense	11	( <u>15,918</u> )	-	-
		<u>59,097</u>	<u>191,321</u>	( <u>213,275</u> )
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u>P 886,102</u>	( <u>P 371,253</u> )	( <u>P 489,961</u> )
<b>Basic and Diluted Earnings (Loss) Per Share</b>	14	<u>P 0.008</u>	( <u>P 0.005</u> )	( <u>P 0.003</u> )

*See Notes to Financial Statements.*

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u> <u>(see Note 13)</u>	<u>Additional</u> <u>Paid-in Capital</u>	<u>Revaluation</u> <u>Reserve</u> <u>(see Note 10)</u>	<u>Deficit</u>	<u>Total</u>
Balance at January 1, 2017	P 110,000,000	P 1,509,641	( P 21,954 )	( P 107,051,818 )	P 4,435,869
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>59,097</u>	<u>827,005</u>	<u>886,102</u>
Balance at December 31, 2017	<u>P 110,000,000</u>	<u>P 1,509,641</u>	<u>P 37,143</u>	<u>( P 106,224,813 )</u>	<u>P 5,321,971</u>
Balance at January 1, 2016	P 110,000,000	P 1,509,641	( P 213,275 )	( P 106,489,244 )	P 4,807,122
Total comprehensive income (loss) for the year	<u>-</u>	<u>-</u>	<u>191,321</u>	<u>( 562,574 )</u>	<u>( 371,253 )</u>
Balance at December 31, 2016	<u>P 110,000,000</u>	<u>P 1,509,641</u>	<u>( P 21,954 )</u>	<u>( P 107,051,818 )</u>	<u>P 4,435,869</u>
Balance at January 1, 2015	P 110,000,000	P 1,509,641	P -	( P 106,212,558 )	P 5,297,083
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>( 213,275 )</u>	<u>( 276,686 )</u>	<u>( 489,961 )</u>
Balance at December 31, 2015	<u>P 110,000,000</u>	<u>P 1,509,641</u>	<u>( P 213,275 )</u>	<u>( P 106,489,244 )</u>	<u>P 4,807,122</u>

*See Notes to Financial Statements.*



**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Notes	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		P 850,459	( P 514,768 )	( P 222,576 )
Adjustments for:				
Interest cost	10	8,887	38,371	23,460
Interest income	4	( 33,443 )	( 31,395 )	( 34,019 )
Depreciation and amortization	7	-	-	4,092
Operating profit (loss) before working capital changes		825,903	( 507,792 )	( 229,043 )
Decrease (increase) in receivables		( 274,889 )	3,080,908	( 1,589,007 )
Increase in other current assets		( 1,420,050 )	( 268,248 )	( 563,368 )
Increase (decrease) in trade and other payables		813,741	( 2,745,357 )	1,020,841
Increase (decrease) in post-employment benefit obligation		24,709	( 579,458 )	23,173
Cash used in operations		( 30,586 )	( 1,019,947 )	( 1,337,404 )
Cash paid for income taxes	11	( 6,689 )	( 6,279 )	( 6,804 )
Net Cash Used in Operating Activities		( 37,275 )	( 1,026,226 )	( 1,344,208 )
<b>CASH FLOWS FROM AN INVESTING ACTIVITY</b>				
Interest received	4	33,443	31,395	34,019
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>				
Proceeds from additional advances from related party	12	1,855,755	823,650	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,851,923	( 171,181 )	( 1,310,189 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		2,800,117	2,971,298	4,281,487
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		P 4,652,040	P 2,800,117	P 2,971,298

*See Notes to Financial Statements.*

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

***1.1 Corporate Information***

Supercity Realty Development Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 9, 2000 to engage in construction and related activities, either as contractor or subcontractor; i.e., for the construction of residential units, buildings, roads, bridges and other construction projects. On December 19, 2003, the Company's shares of stock were listed for trading on the Philippine Stock Exchange (PSE).

On February 29, 2008, the Company's Board of Directors (BOD) approved the change in the Company's core business operations from construction to real estate development. Consequently, the Company has retrenched all of its project-based employees effective September 2008 and sold all of its construction equipment. As at December 31, 2017, the Company has not yet started any real estate development projects. Its business activities are presently hinged on the construction projects of its related parties; i.e., it provides the necessary manpower requirement of their projects by engaging the services of third party subcontractors (see Note 12.1). It has no other major activities; hence, no segment information and disclosures are presented in the Company's financial statements.

On December 11, 2014, the Company's BOD and stockholders approved the change of the Company's registered address and principal place of business from Unit 1223 12/F, City & Land Mega Plaza, ADB Avenue corner Garnet Road, Ortigas Center, Pasig City to 41<sup>st</sup> Floor, Joy-Nostalg Building, No. 17 ADB Avenue, Ortigas Center, Brgy., San Antonio, Pasig City. On February 12, 2016, the application for the change in address was approved by the Bureau of Internal Revenue (BIR). As of the report date, the Company's application for the change in address is still for approval by the SEC.

***1.2 Status of Operations***

The Company reported a substantial deficit of P106.2 million and P107.1 million as at December 31, 2017 and 2016, respectively. This condition, along with the matters discussed in Note 1.1, indicates the existence of an uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In this regard, the Company's management has intensified its commitment to improve profitability and financial stability of the Company through continuation of its construction activities with its related parties while its transition to a real estate development company is still underway. In addition, the same related parties have expressed their commitment to provide continuing financial support to the Company until such time that the Company is able to improve its financial condition. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments to reflect possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that might result from the outcome of this uncertainty.

### ***1.3 Approval of Financial Statements***

The financial statements of the Company as of and for the year ended December 31, 2017 (including the comparative financial statements as of December 31, 2016 and for the years ended December 31, 2016 and 2015) were authorized for issue by the Company's BOD on April 11, 2018.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***2.1 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

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

#### ***(b) Presentation of Financial Statements***

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

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

#### ***(c) Functional and Presentation Currency***

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

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

## 2.2 Adoption of New and Amended PFRS

### (a) Effective in 2017 that are Relevant to the Company

The Company adopted for the first time all the amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

Discussed below are the relevant information about these amendments.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows and non-cash changes. It requires an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities and to apply its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, it suggests a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year. The reconciliation between the opening and closing balances of the liability arising from a financing activity, which pertains to the Due to Related Parties account, is presented in Note 12.2.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments has no significant impact on the Company's financial statements as management has been assessing the Company's future taxable profit in a way consistent with the amendments.



(b) *Effective in 2017 that is not Relevant to the Company*

Annual improvements to PFRS (2014-2016 Cycle), specifically on PFRS 12, *Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale*, are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Company's financial statements

(c) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments, interpretations and annual improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected credit loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Company's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified that the application of PFRS 9 (2014) has no significant impact on the classification and measurement of the Company's financial instruments. Management expects all of financial assets and liabilities to be continuously accounted for at amortized cost. These financial assets will be subjected to simplified model of recognizing lifetime expected credit losses as these items do not have significant financing component.

- (ii) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on the Company's initial assessment of its revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant source of revenue pertains to construction contracts and is covered by PFRS 15.

Based on the requirements of PFRS 15, the Company has assessed that its performance obligation on its sale of real properties under development is satisfied over time considering that, under existing laws and regulations, the Company does not have an alternative use on the assets being developed and that it has rights to payment over the development completed to date. When the Company sells developed properties, its performance obligation is satisfied at a point in time; that is when the customer has accepted the property.

- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of these amendments in its financial statements.

- (iv) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new standard in its financial statements.
- (v) Annual Improvements to PFRS 2015 - 2017 Cycle. Among the improvements, only PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*, are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify existing requirements.

### **2.3 Financial Assets**

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments – Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

The only category of financial assets that is relevant to the Company is loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

All income and expenses relating to financial assets are recognized in profit or loss and, are presented as part of Finance Income or Finance Costs, as the case may be, in the statement of comprehensive income.

Non-compounding interest income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

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

## ***2.4 Other Current Assets***

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

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

## ***2.5 Furniture and Fixtures***

Furniture and fixtures are carried at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.



Depreciation is computed on the straight-line basis over the estimated useful life of furniture and fixtures which is three years.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.11). The residual values and estimated useful lives of furniture and fixtures are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

## ***2.6 Financial Liabilities***

Financial liabilities, which include the Company's Trade and Other Payables (except tax-related payables and advances from customers) and Due to Related Parties, are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payment.

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

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

## ***2.7 Offsetting Financial Instruments***

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

## ***2.8 Provisions and Contingencies***

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

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

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

## ***2.9 Revenue and Expense Recognition***

Revenue comprises revenue from the rendering of services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding value-added tax (VAT) and discounts. Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and the costs incurred or to be incurred can be measured reliably. In addition, the specific recognition criteria must also be met before revenue are recognized are discussed below.

- (a) *Contract revenues and costs* – Revenue is recognized based on the actual work done which is consistent with the percentage of completion method. Under this method, revenues are recognized in proportion to the actual cost incurred as a percentage of total estimated costs for each contract as determined and certified by project engineers. Costs are recognized based on actual costs incurred (see also Note 2.10).
- (b) *Interest* – Recognized as the interest accrues taking into account the effective yield on the asset. Interest income is presented as Finance Income in the statement of comprehensive income.

Cost and expenses are recognized in profit or loss upon receipt of goods and/or utilization of services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

## ***2.10 Construction Contracts***

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Adjustments in the contract price or the estimated costs are recorded prospectively when they become known.

The Company uses the percentage of completion method to determine the appropriate amount to recognize as revenue in a given period. The stage of completion is measured with reference to actual stage of completion of the project as a percentage of total estimated costs for each contract as determined and certified by project engineers. Costs incurred during the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as part of other current assets.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recovered.

Contract costs are recognized when incurred.

Any gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings will be presented as Unbilled contracts receivable which is part of Contracts receivable under the Receivables account. Progress billings not yet paid by customers and retention are presented as Billed receivable and Retention receivable, respectively, and are part of Contracts receivable under the Receivables account in the statement of financial position.

The Company presents as a liability (under the Trade and Other Payables account) any gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

## ***2.11 Impairment of Non-financial Assets***

The Company's non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating units and reflect management's assessment of respective risk profiles, such as market and asset-specific factor.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

## **2.12 Employee Benefits**

The Company provides the following benefits to its employees:

### **(a) *Post-employment Defined Benefit Plan***

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. In 2017 and 2016, the Company has only one qualified and regular employee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

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

### **(b) *Post-employment Defined Contribution Plans***

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

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Compensated Absences*

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

### **2.13 Income Taxes**

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

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

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

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

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



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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

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

#### ***2.14 Related Party Relationships and Transactions***

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

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

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

#### ***2.15 Equity***

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

Additional paid-in capital represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserve represents gains and losses due to the remeasurements of post-employment defined benefit obligation.

Deficit represents all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by amounts of dividends declared, if any.

#### ***2.16 Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed by dividing the net profit (loss) by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the period.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have dilutive potential shares outstanding.

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

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

## **3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

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

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Company's accounting policies, judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and relevant disclosures are presented in Note 15.

### ***3.2 Key Sources of Estimation Uncertainty***

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

#### ***(a) Determination of Impairment of Receivables***

Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers and other counterparties, average age of accounts, collection experience and historical loss experience.

The carrying value of receivables and the analysis of allowance for impairment are shown in Note 5.

#### ***(b) Estimation of Useful Lives of Furniture and Fixtures***

The Company estimates the useful lives of furniture and fixtures based on the period over which the assets are expected to be available for use. The estimated useful lives of furniture and fixtures are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of furniture and fixtures are analyzed in Note 7. Based on management's assessment as at 2014, there is no change in the estimated useful life of furniture and fixtures during such period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. Furniture and fixtures were fully depreciated and impaired as of December 31, 2017 and 2016.

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. In 2017 and 2016, management believes, based on its evaluation, that the Company may not recover the tax benefit of the temporary differences considering the present circumstances of its operations as disclosed in Note 1; hence, the remaining deferred tax assets, after application against related deferred tax liability, were not recognized (see Note 11).

(d) *Determination of Impairment of Non-financial Assets*

In assessing impairment of non-financial assets, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.11). Though management believes that the assumptions used in the estimation of recoverable amount are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss was recognized on non-financial assets in 2017, 2016 and 2015 based on management's assessment.

(e) *Estimation of Valuation of Post-employment Benefit*

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

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 10.2.

(f) *Estimation of Provisions for Rework*

The Company provides warranties for its construction projects for a period of one year from date of completion. Management estimates the related provisions for future rework based on historical repair information, as well as recent trends that might suggest that past cost information may differ from future claims.

(g) *Recognition of Provision for Contract Losses*

Losses on contracts are accrued when the amount of loss can be reasonably estimated. At the end of each reporting period, the estimated contract costs are reviewed to determine its reasonableness and accuracy. The actual cost is analyzed to validate the original estimate. Any difference between the estimate and actual cost is a change in estimate and therefore treated prospectively.



No provision for contract losses was necessary to be recognized in 2017, 2016 and 2015 based on management's assessment.

(h) *Accounting for Revenue Recognition Using the Percentage of Completion*

The Company uses the percentage of completion method in accounting for its contract revenue. Use of percentage of completion requires the Company to estimate the portion completed as of the end of the reporting period as a proportion of the total estimated cost as determined and certified by the project engineers.

Based on management's assessment, the estimate of percentage of completion will not materially differ from the actual percentage of completion based on the progress and status of construction projects as of the end of the reporting period. Accordingly, management believes that no adjustment is necessary on the recorded contract revenue and contract costs.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	<u>2017</u>	<u>2016</u>
Cash on hand and in banks	P 2,401,782	P 575,086
Short-term placements	<u>2,250,258</u>	<u>2,225,031</u>
	<u>P 4,652,040</u>	<u>P 2,800,117</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for a period of 90 days and earn effective interest rates of 1.25% to 1.75% in 2017, 1.25% to 1.50% in 2016, and 1.50% to 1.75% in 2015. Interest income is presented as Finance Income in the statements of comprehensive income.

#### 5. RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Contracts receivable	12.1	P 14,757,835	P 80,414,434
Advances to related parties	12.2	179,164	8,920,714
Others		<u>30,528</u>	<u>29,928</u>
		14,967,527	89,365,076
Allowance for impairment		<u>-</u>	( 74,672,438)
		<u>P 14,967,527</u>	<u>P 14,692,638</u>

Contracts receivable is broken down as follows:

	<u>2017</u>	<u>2016</u>
Billed	P 7,865,356	P 70,594,053
Retention	<u>6,892,479</u>	<u>9,820,381</u>
	<u>P 14,757,835</u>	<u>P 80,414,434</u>

All of the Company's receivables have been reviewed for indicators of impairment. Certain receivables were identified to be impaired; hence, adequate amounts of allowance for impairment have been recognized. The impaired receivables pertain to long-outstanding contract receivables and advances to related parties which are doubtful of collection.

On December 6, 2017 the Company's BOD approved the write-off of certain receivables totaling to P74.7 million, which are fully provided with allowance for impairment in the prior years.

A reconciliation of the allowance for impairment at the beginning and end of 2017 and 2016 is shown below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 74,672,438	P 74,672,438
Write-off of receivables	( 74,672,438)	-
Balance at end of year	<u>P -</u>	<u>P 74,672,438</u>

In 2017 and 2016, management assessed that the remaining receivables not provided with allowance for impairment are still fully collectible; hence, no additional impairment losses were recognized in both years.

## 6. OTHER CURRENT ASSETS

This account consists of:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Creditable withholding tax		P 19,948,032	P 19,247,481
Advances to contractors			
and suppliers		787,592	141,284
Deferred input VAT	19.1(b)	501,724	411,681
Input VAT	19.1(b)	-	33,617
Others		<u>254,751</u>	<u>254,751</u>
		<u>P 21,492,099</u>	<u>P 20,088,814</u>

## 7. FURNITURE AND FIXTURES

The gross carrying amounts and accumulated depreciation and accumulated impairment loss of furniture and fixtures at the beginning and end of 2017, 2016 and 2015 are shown below.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cost	P 9,724,268	P 9,724,268	P 9,724,268
Accumulated depreciation	( 9,547,152)	( 9,547,152)	( 9,547,152)
Accumulated impairment loss	( 177,116)	( 177,116)	( 177,116)
Net carrying amount	<u>P -</u>	<u>P -</u>	<u>P -</u>

As at December 31, 2017 and 2016, the Company's furniture and fixtures are fully depreciated and impaired but are still used in operations.

## 8. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2017	2016
Deferred output VAT	19.1(a)	P 9,202,851	P 9,093,110
Trade payables		6,774,853	9,851,100
Retention fees		4,791,625	1,154,029
Advances from customers	12.3	2,865,392	2,865,392
Output VAT payable		63,239	-
Others		202,835	123,423
		<u>P 23,900,795</u>	<u>P 23,087,054</u>

Deferred output VAT arose from the uncollected contracts receivable.

## 9. COST AND OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2017	2016	2015
Outside services		P 31,337,283	P 10,701,295	P 12,185,056
Professional fees		826,633	727,269	386,132
Salaries and employee benefits	10.1	441,223	570,664	790,725
Taxes and licenses	19.1(f)	201,251	210,678	258,007
Utilities and communication		39,844	30,199	36,928
Repairs and maintenance		33,277	7,804	10,000
Depreciation		-	-	4,092
Miscellaneous		2,160,378	1,103,352	1,184,262
		<u>P 35,039,889</u>	<u>P 13,351,261</u>	<u>P 14,855,202</u>

Miscellaneous mainly includes expenditures for security services, subscription dues, transportation and travel, trainings and seminars, tax penalties and office supplies.

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

	2017	2016	2015
Contract costs	P 31,398,655	P 10,767,108	P 12,256,779
Administrative expenses	1,428,090	1,456,416	1,388,187
Other operating expenses	2,213,144	1,127,737	1,210,236
	<u>P 35,039,889</u>	<u>P 13,351,261</u>	<u>P 14,855,202</u>

Contract costs for the years ended December 31, 2017, 2016 and 2015 consist of the following:

	Note	2017	2016	2015
Subcontractors' fee		P 31,337,283	P 10,701,295	P 12,185,056
Taxes and licenses	19.1(f)	<u>61,372</u>	<u>65,813</u>	<u>71,723</u>
		<u>P 31,398,655</u>	<u>P 10,767,108</u>	<u>P 12,256,779</u>

## 10. EMPLOYEE BENEFITS

### 10.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below (see Note 9).

	2017	2016	2015
Short-term employee benefits	P 416,514	P 499,036	P 767,552
Post-employment benefit	<u>24,709</u>	<u>71,628</u>	<u>23,173</u>
	<u>P 441,223</u>	<u>P 570,664</u>	<u>P 790,725</u>

As at December 31, 2017 and 2016, the Company has only one employee.

### 10.2 Post-employment Defined Benefit Plan

Starting in 2015, the Company is covered by an unfunded, non-contributory post-employment multi-employer plan with its related parties that is classified as a defined benefit plan. For the one qualified employee of the Company under the plan, the Company has specific identifiable share in the multi-employer plan and accounts such plan in the same way for any other defined benefit plan. The qualified and regular employee in 2015 retired in 2016 and consequently, the obligation was paid in the same year. In 2016, the Company assumed a qualified and regular employee from an affiliate whereby the Company consequently recognized the assumption of the obligation related to its post-employment benefit under the multi-employer plan where the Company also belongs (see Note 12.2).

The relevant information and disclosures of the Company's post-employment benefit obligation are discussed below.

#### (a) Characteristics of the Defined Benefit Plan

The normal retirement benefit is equal to 100% of plan salary for every year of credited service upon attainment of age is 60 and completion of at least five years of service. The plan also provides for an early or optional retirement benefit equal to a certain percentage of plan salary for every year of credited service and completion of at least five years of service. The late retirement benefit is subject to a yearly extension basis but not beyond age 65.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding page are based on the actuarial valuation reports obtained from an independent actuary in 2017 and 2016.

The movements in the present value of the post-employment benefit obligation recognized in the books are as follows:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 172,564	P 904,972
Current service cost	24,709	71,628
Interest cost	8,887	38,371
Benefits paid	-	( 823,650)
Transfer from affiliate	-	172,564
Actuarial gains arising from:		
Changes in financial assumptions	( 75,015)	( 32,763)
Experience adjustments	<u>-</u>	<u>( 158,558)</u>
Balance at end of year	<u>P 131,145</u>	<u>P 172,564</u>

The components of amounts recognized in profit or loss and in other comprehensive loss in respect of the post-employment benefit obligation are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Recognized in profit or loss:			
Current service cost	P 24,709	P 71,628	P 23,173
Interest cost	<u>8,887</u>	<u>38,371</u>	<u>23,460</u>
	<u>P 33,596</u>	<u>P 109,999</u>	<u>P 46,633</u>
Recognized in other comprehensive income (loss) -			
Actuarial gains (losses)			
arising from:			
Changes in financial assumptions	P 75,015	P 32,763	P 37,380
Experience adjustments	-	158,558	( 233,962)
Changes in demographic assumptions	<u>-</u>	<u>-</u>	<u>( 16,693)</u>
	<u>P 75,015</u>	<u>P 191,321</u>	<u>(P 213,275)</u>

Current service cost is presented as part of Salaries and employee benefits under Operating Expenses (see Note 10.1), while interest cost is presented as Finance Costs in the statements of comprehensive income.

In determining the post-employment benefit obligation, the following actuarial assumptions were used as at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Discount rates	5.70%	5.15%
Expected rate of salary increases	3.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The remaining working life of the individual retiring at the age of 60 is 16 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risk Associated with the Retirement Plan*

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

(i) *Interest Risk*

The present value of the post-employment benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the obligation.

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described as follows:

(i) *Sensitivity Analysis*

The sensitivity of the Company's post-employment benefit obligation to a reasonably possible change in discount rate indicates that if discount rate increased by +/- 100 basis points, post-employment benefit obligation would have decreased by P1,311 and P1,726 in 2017 and 2016, respectively, and vice versa.

The sensitivity of expected salary increase rate is deemed not significant to the Company's financial statements since salaries of the one qualified employee in 2017 and 2016 remained comparable during the reporting periods.

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

The methods as types of assumptions used in preparing the sensitivity analysis did not significantly change compared to previous year.

(ii) *Funding Arrangements and Expected Contributions*

The Company is yet to determine when it shall establish a formal funding to its post-employment benefit obligation as at December 31, 2017 and 2016. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 16 years' time when the qualified employee is expected to retire. The maturity of undiscounted expected benefit payments beyond 10 years amounted to P1.6 million and P2.2 million as at December 31, 2017 and 2016, respectively.

The weighted average duration of the post-employment benefit obligation at the end of the reporting period is 16 years.

11. TAXES

The components of tax expense reported in profit or loss and other comprehensive (income) loss are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Reported in profit or loss:</i>			
Regular corporate income tax (RCIT) at 30%	P 124,505	P -	P -
Final tax at 20%	6,689	6,279	6,804
Minimum corporate income tax (MCIT) at 2%	-	41,527	47,306
	131,194	47,806	54,110
Application of MCIT	(107,740)	-	-
	<u>P 23,454</u>	<u>P 47,806</u>	<u>P 54,110</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax income relating to remeasurements of post-employment benefit obligation:			
Origination of temporary difference	P 22,505	(P 57,396)	P -
Reversal of temporary difference	(6,587)	57,396	-
	<u>P 15,918</u>	<u>P -</u>	<u>P -</u>

The reconciliation of tax on pretax profit (loss) computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax on pretax profit (loss) at 30%	P 255,138	(P 154,430)	(P 66,773)
Adjustment for income subjected to lower income tax rate	( 3,344)	( 3,140)	( 3,402)
Tax effects of:			
Changes in unrecognized deferred tax assets	( 547,713)	226,287	264,979
Non-deductible expenses	319,373	300	660
Expired MCIT	-	( 21,211)	( 141,354)
	<u>P 23,454</u>	<u>P 47,806</u>	<u>P 54,110</u>

In 2017, the Company utilized the following NOLCO and MCIT against taxable income and RCIT, respectively:

<u>Year Incurred</u>	<u>Amount</u>	<u>Applied</u>	<u>Remaining Balance</u>
NOLCO:			
2016	P 1,258,814	(P 1,258,814)	P -
2015	<u>207,762</u>	<u>( 207,762)</u>	<u>-</u>
	<u>P 1,466,576</u>	<u>(P 1,466,576)</u>	<u>P -</u>
MCIT:			
2016	P 41,527	(P 41,527)	P -
2015	47,306	( 47,306)	-
2014	<u>18,907</u>	<u>( 18,907)</u>	<u>-</u>
	<u>P 107,740</u>	<u>(P 107,740)</u>	<u>P -</u>

The unrecognized deferred tax assets relate to the following as at December 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Impairment of furniture and fixtures	P 177,116	P 53,135	P 177,116	P 53,135
Provisions for rework	133,033	39,910	133,033	39,910
Post-employment benefit obligation	131,145	39,344	172,564	51,769
NOLCO	-	-	1,466,576	439,973
MCIT	-	-	107,740	107,740
	<u>P 441,294</u>	<u>P 132,389</u>	<u>P 2,057,029</u>	<u>P 692,527</u>



As of December 31, 2015, the Company has unrecognized deferred tax asset of P63,983 arising from the remeasurements (actuarial losses) of post-employment benefit obligation in the previous years. In 2016, the Company recognized the deferred tax asset of P57,396 and reversed the same amount pursuant to the remeasurements (actuarial gains) in the same year. Consequently, the related remaining unrecognized deferred tax asset amounts to P6,587 as of December 31, 2016. In 2017, the Company recognized this deferred tax asset to partially offset the deferred tax liability arising from remeasurements (actuarial gains) amounting to P22,505 in the same year. The remaining deferred tax liability as of December 31, 2017 amounts to P15,918 and is presented under the Non-current Liabilities section of the 2017 statement of financial position.

The Company is subject to MCIT, which is computed at 2% of gross income less allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. Accordingly, the Company was liable to pay RCIT in 2017 and MCIT in 2016 and 2015.

In 2017, 2016 and 2015, the Company claimed itemized deductions in computing its income tax due.

## 12. RELATED PARTY TRANSACTIONS

The Company's related parties include entities under common ownership or control, the Company's key management and others as described in Note 2.14. A summary of the transactions and balances of the Company with its related parties is presented below.

Related Party Category	Note	Amount of Transactions			Outstanding Balances	
		2017	2016	2015	2017	2016
<b>Related Parties Under Common Ownership:</b>						
Construction services	12.1	P 35,865,792	P 12,843,469	P 14,622,067	P 14,757,835	P80,414,434
Advances from related parties	12.2	1,855,755	823,650	-	( 11,608,805)	( 9,753,050)
Advances to related parties	12.2	( 8,741,550)	179,164	5,939	179,164	8,920,714
Advances from customers	12.3	-	-	-	( 2,865,392)	( 2,865,392)
<b>Key Management Personnel –</b>						
Compensation	12.4	441,224	570,664	790,725	( 131,145)	( 172,564)

### 12.1 Rendering of Services

The Company renders construction services to certain related parties under common ownership for certain real estate projects of the latter. Construction services are recognized based on the actual work done which is consistent with the percentage of completion method.

Service income arising from these transactions with related parties are presented as Contract Revenues in the statements of comprehensive income. The related outstanding receivables are shown as Contracts receivable under the Receivables account in the statements of financial position (see Note 5). These receivables are unsecured to the extent of advances received, noninterest-bearing and payable in cash.

Presented below is an analysis of the movements in contracts receivables.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 80,414,434	P 83,674,508
Write-off of receivables	( 65,963,534)	-
Contract revenues, gross of VAT	40,169,687	14,384,685
Collections	( 39,862,752)	( 17,644,759)
Balance at end of year	<u>P 14,757,835</u>	<u>P 80,414,434</u>

The Company has also existing commitments, guarantees, and contingent liabilities relating to on-going construction projects of the Company (see Note 15).

## 12.2 Advances to/from Related Parties

In the normal course of business, the Company obtains from and grants to its related parties (other than those provided to officers and directors for carrying out official business functions and activities which are subject to liquidation as at December 31, 2017 and 2016) unsecured, noninterest-bearing, cash advances for working capital requirements and other purposes.

Total advances to related parties are presented as Advances to related parties under the Receivables account in the statements of financial position (see Note 5). The movements in the Advances to related parties are shown below.

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year		P 8,920,714	P 8,741,550
Write-off of advances		( 8,708,905)	-
Collections		( 32,645)	-
Additions		-	6,600
Assumption of post-employment benefit obligation	10.2	-	172,564
Balance at end of year		<u>179,164</u>	<u>8,920,714</u>
Allowance for impairment		-	( 8,708,905)
		<u>P 179,164</u>	<u>P 211,809</u>

Total outstanding advances from related parties as of December 31, 2017 and 2016 are presented as Due to Related Parties account in the statements of financial position.

The movements in the account are shown below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 9,753,050	P 8,929,400
Additions	<u>1,855,755</u>	<u>823,650</u>
Balance at end of year	<u>P 11,608,805</u>	<u>P 9,753,050</u>

The advances to and from related parties have no fixed repayment terms and are generally payable in cash on demand, or through offsetting arrangements (see Note 17.3). As such and due to their short duration, management considers the carrying amounts of advances to/from related parties to be a reasonable approximation of fair values.

### 12.3 Advances from Customers

The Company receives advances from related party customers which will be applied against progress billings based on work accomplishment on the construction projects. The amount of outstanding advances received from related parties are presented as Advances from customers under Trade and Other Payables account in the statements of financial position (see Note 8).

### 12.4 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 10.1):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Post-employment benefit	<b>P 416,514</b>	P 499,036	P 23,173
Short-term employment benefits	<u>24,709</u>	<u>71,628</u>	<u>767,552</u>
	<b><u>P 441,223</u></b>	<b><u>P 570,664</u></b>	<b><u>P 790,725</u></b>

Certain administrative functions of the Company are performed by the officers of a related party under common ownership at no cost to the Company.

### 12.5 Lease of Office Space

In 2015, the Company transferred to an office space located at a floor of a building being rented by one of the Company's stockholders, at no cost to the Company in 2017, 2016 and 2015.

## 13. CAPITAL STOCK

As at December 31, 2017 and 2016, the Company has authorized capital stock of P155.0 million divided into 155,000,000 shares with a P1.00 par value per share. As at those dates, it has 110,000,000 issued and outstanding shares, or a total of P110.0 million.

On December 19, 2003, the SEC approved the listing of the Company's shares totaling 50,000,000 (see Note 1.1). The shares were initially issued at an offer price of P1.10 per share. Such listed shares traded at a closing price of P0.80 per share as at May 11, 2009. No further trading of the Company's shares has occurred since May 11, 2009. The Company has no other securities traded or listed for trading in any securities exchange.

## 14. EARNINGS (LOSS) PER SHARE

The basic and diluted earnings (loss) per share were computed as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net profit (loss)	<b>P 827,005</b>	(P 562,574)	(P 276,686)
Divided by the weighted average number of outstanding common shares	<u>110,000,000</u>	<u>110,000,000</u>	<u>110,000,000</u>
Basic and diluted earnings (loss) per share	<b><u>P 0.008</u></b>	<b><u>(P 0.005)</u></b>	<b><u>(P 0.003)</u></b>

The Company has no dilutive potential common shares as at December 31, 2017, 2016 and 2015; hence, diluted earnings (loss) per share equals the basic income (loss) per share.

## 15. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees, and contingent liabilities relating to construction projects and other activities entered into by the Company that arise in the normal course of operations which are not reflected in the financial statements. As at December 31, 2017, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements.

## 16. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Company is exposed to are described below.

### *16.1 Market Risk*

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both its operating and investing activities. The Company has no significant exposure to interest rate risk as financial assets and liabilities are noninterest-bearing (receivables, payables and advances to and from related parties) or are carried at daily bank deposit rates and fixed interest rates (cash in banks and short-term placements, respectively).

### *16.2 Credit Risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and other counterparties and by placing deposits.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. In addition, advance payments representing portion of the total contract price are received from customers to mitigate credit risk.

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

	Notes	2017	2016
Cash and cash equivalents	4	P 4,652,040	P 2,800,117
Receivables - net	5	<u>14,967,527</u>	<u>14,692,638</u>
		<u>P 19,619,567</u>	<u>P 17,492,755</u>

None of the Company's financial assets are secured by collateral or other credit enhancements. The management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks which are secured by a maximum coverage of P500,000 for every depositor per banking institution, as provided for under R.A. No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, are also subjected to credit risk.

*(b) Receivables*

In respect of receivables, the Company is exposed to significant credit risk exposure to its related parties. Contract receivables are 100% due from its related parties because the Company's construction projects are concentrated on the projects provided by its related parties. Based on historical information about customer default rates management considers the credit quality of contract receivables that are not impaired to be good. Below are the past due but unimpaired contract receivables as at the end of the reporting period.

	<u>2017</u>	<u>2016</u>
Not more than six months	P -	P -
More than one year	<u>11,011,849</u>	<u>10,182,364</u>
	<u>P 11,011,849</u>	<u>P 10,182,364</u>

**16.3 Liquidity Risk**

The Company manages its liquidity needs by carefully monitoring scheduled payments for its financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection.

The Company maintains cash that is good for up to a 60-day period to meet its liquidity requirements.

As at December 31, 2017 and 2016, the Company's financial liabilities amount to P23.3 million and P20.9 million, respectively, have contractual maturities within six months to one year from the end of the reporting periods. The contractual maturities reflect the gross cash flows which approximates the carrying values of the liabilities at the end of the reporting periods.

## 17. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 17.1 Carrying Values and Fair Values by Category

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

		<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Notes</u>	<u>Carrying</u> <u>Values</u>	<u>Fair</u> <u>Values</u>	<u>Carrying</u> <u>Values</u>	<u>Fair</u> <u>Values</u>
<b>Financial Assets</b>					
<i>Loans and receivables:</i>					
Cash and					
cash equivalents	4	P 4,652,040	P 4,652,040	P 2,800,117	P 2,800,117
Receivables – net	5	<u>14,967,527</u>	<u>14,967,527</u>	<u>14,692,638</u>	<u>14,692,638</u>
		<u>P 19,619,567</u>	<u>P 19,619,567</u>	<u>P 17,492,755</u>	<u>P 17,492,755</u>
<b>Financial Liabilities</b>					
<i>At amortized cost:</i>					
Trade and other payables	8	P 11,681,927	P 11,681,927	P 11,115,013	P 11,115,013
Due to related parties	12.2	<u>11,608,805</u>	<u>11,608,805</u>	<u>9,753,050</u>	<u>9,753,050</u>
		<u>P 23,290,732</u>	<u>P 23,290,732</u>	<u>P 20,868,063</u>	<u>P 20,868,063</u>

See Notes 2.3 and 2.6 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 16.

Due to their short-term nature, management considered the carrying amounts of these financial instruments to equal or approximate their fair values as at December 31, 2017 and 2016.

### 17.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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



For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company has no financial assets and financial liabilities measured at fair value as at December 31, 2017 and 2016. For financial assets (such as Cash and Cash Equivalents and Receivables) and financial liabilities (such as Trade and Other Payables and Due to Related Parties) measured at amortized cost for which fair value is disclosed, management considers that their carrying amounts equal or approximate their fair values (see Note 17.1).

### ***17.3 Offsetting of Financial Assets and Financial Liabilities***

The Company has not set-off financial instruments as of December 31, 2017 and 2016 and does not have relevant offsetting arrangements except as disclosed in Note 12.2. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders.

As such, the Company's outstanding advances to and receivables from related parties, gross of allowance for impairment amounting to P15.0 million and P89.3 million as at December 31, 2017 and 2016, respectively, can be potentially offset by the amount of outstanding advances from related parties amounting to P11.6 million and P9.8 million as at December 31, 2017 and 2016, respectively (see Note 12.2).

## **18. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern (as discussed in Note 1.2) and to provide an adequate return to shareholders by pricing services commensurately with the level of risk. As also discussed in Note 1.2, management believes that the Company remains to have a strong financial condition since it is a member of a group of companies. Nevertheless, the challenge is in keeping it strong and improving its profitability to at least keep a healthy financial condition while the Company is transitioning from a construction company to real estate development company.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the pay-off of existing debts.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2017</u>	<u>2016</u>
Total liabilities	<b>P 35,789,695</b>	P 33,145,700
Total equity	<u><b>5,321,971</b></u>	<u>4,435,869</u>
Debt-to-equity ratio	<u><b>6.72 : 1.00</b></u>	<u>7.47 : 1.00</u>

**19. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

Presented below is the supplementary information which is required by the under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

***19.1 Requirements Under Revenue Regulations (RR) No. 15-2010***

***(a) Output VAT***

In 2017, the Company declared output VAT amounting to P4,194,154 based on contract revenue amounting to P34,951,283.

The Company did not have zero-rated and VAT exempt transaction in 2017.

The tax bases of contract revenues are based on the Company's gross receipts for the year; hence, may not be the same with the amounts presented in the 2017 statement of comprehensive income.

Deferred output VAT as of December 31, 2017 is presented under Trade and Other Payables in the 2017 statement of financial position (see Note 8).

***(b) Input VAT***

The movements in input VAT in 2017 is summarized below.

Balance at beginning of year	P	33,617
Services lodged under cost of goods sold		2,629,106
Input VAT applied against output VAT	(	<u>2,662,723)</u>
Balance at end of year	<u>P</u>	<u>-</u>

The outstanding deferred input VAT amounting to P501,724 as of December 31, 2017 is presented as part of Other Current Assets account in the 2017 statement of financial position (see Note 6).

***(c) Taxes on Importation***

The Company has not paid or accrued any customs' duties and tariff fees as it has no importations for the year ended December 31, 2017.

***(d) Excise Tax***

The Company did not have any transactions in 2017, which are subject to excise tax.

***(e) Documentary Stamp Tax (DST)***

The Company did not incur any DST in 2017.



*(f) Taxes and Licenses*

The details of taxes and licenses are broken down as follows (see Note 9):

Business tax	P	191,057
Municipal license and permits		9,694
Annual VAT registration		<u>500</u>
	<b>P</b>	<b><u>201,251</u></b>

The amounts of taxes and licenses are allocated as follows:

	<u>Note</u>	
Contract costs	P	61,372
Other operating expenses		<u>139,879</u>
	9	<b>P <u>201,251</u></b>

*(g) Withholding Taxes*

The details of withholding taxes in 2017 are shown below.

Expanded	P	682,361
Compensation and benefits		<u>55,331</u>
	<b>P</b>	<b><u>737,692</u></b>

The Company has no transactions in 2017, which are subject to final withholding taxes.

*(h) Deficiency Tax Assessments and Tax Cases*

As of December 31, 2017, the Company does not have any final deficiency tax assessments from the BIR nor does it have any tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

**19.2 Requirements Under RR No. 19-2011**

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The information of taxable revenues and income, and deductible costs and expenses presented below and in the succeeding page are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2017 statement of comprehensive income.

*(a) Taxable Revenues*

The Company's taxable revenues from rendering of services, which is subject to regular rate, amounted to P35,865,792 for the year ended December 31, 2017.

*(b) Deductible Cost of Services*

Deductible costs of services for the year ended December 31, 2017, which are subject to regular tax rate, comprises of the cost of construction amounting to P31,398,655.

(c) *Taxable Non-operating and Other Income*

The Company has no taxable non-operating other income in 2017, which is subject to regular tax rate.

(d) *Itemized Deductions*

The Company's itemized deductions for the year ended December 31, 2017 is as follows:

Professional fees	P	826,633
Outside services		637,092
Salaries and employee benefits		416,514
Subscriptions		271,881
Taxes and licenses		139,879
Seminar, training and meetings		63,618
Communication, light and water		39,844
Office supplies		36,279
Repairs and maintenance		33,277
Miscellaneous		<u>120,528</u>
	<b>P</b>	<b><u>2,585,545</u></b>

(e) *Special Deductions*

In 2017, the Company claimed as deductions from its taxable income its available NOLCO amounting to P1,466,576.

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

**The Board of Directors and Stockholders  
Supercity Realty Development Corporation**  
41<sup>st</sup> Floor, Joy-Nostalg Building  
No. 17 ADB Avenue, Ortigas Center  
Brgy. San Antonio, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Supercity Realty Development Corporation for the year ended December 31, 2017, on which we have rendered our report dated April 11, 2018. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
By: **Ramilito L. Nañola**  
Partner

CPA Reg. No. 0090741  
TIN 109-228-427  
PTR No. 6616015, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 0395-AR-3 (until May 19, 2019)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 11, 2018

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**List of Supplementary Information**  
**December 31, 2017**

<b>Schedule</b>	<b>Content</b>	<b>Page No.</b>
<b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b>		
A	Financial Assets	
	Financial Assets at Fair Value Through Profit or Loss	N/A
	Held-to-maturity Investments	N/A
	Available-for-sale Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Intangible Assets - Other Assets	N/A
E	Long-term Debt	N/A
F	Indebtedness to Related Parties	2
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	3
<b>Others</b>		
	Summary of Financial Soundness Indicators	4
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017	5-8

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**  
**As of December 31, 2017**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Write-off	Amounts Collected	Current	Non Current	Balance at End of Period
<b>Related Parties</b>							
City and Life Property, Inc.	P 3,904,452	-	( 3,904,452 )		-	P -	-
Prosperity Builders Resources, Inc.	3,406,193	-	( 3,366,947 )	( 32,645 )	P 6,600	-	P 6,600
Supreme Housing Builders, Inc.	1,437,505	-	( 1,437,505 )	-	-	-	-
Extraordinary Development Corporation	172,564	-	-	-	172,564	-	172,564
<b>Total Receivable from Related Parties</b>	P 8,920,714	-	( P 8,708,905 )	( P 32,645 )	P 179,164	P -	P 179,164

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule F. Indebtedness to Unconsolidated Subsidiary and Related Parties**  
*As of December 31, 2017*

Name of Designation of Debtor	Balance Beginning of Period	Additions	Amounts Collected (2)	Amounts Written off (3)	Current	Not Current	Balance at End Of Period
Extraordinary Development Corporation	P 9,753,050	P 1,855,755	P -	P -	P 11,608,805	P -	P 11,608,805

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
Schedule H - Capital Stock  
December 31, 2017

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - P1 par value Authorized - 155,000,000 shares Issued and outstanding - 110,000,000 shares in 2017 and 2016	155,000,000	110,000,000	-	-	56,220,000	53,780,000

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Summary of Financial Soundness Indicators**  
**As at December 31, 2017 and 2016**

<b>Financial Soundness Indicators</b>	<b>Formula</b>	<b>2017</b>	<b>2016</b>
<b>Liquidity:</b>			
Current Ratio	Current Assets/Current Liability	1.15 : 1	1.14 : 1
<b>Solvency:</b>			
Debt-to-Equity Ratio	Total Liabilities/Total Equity	6.72 : 1	7.47 : 1
<b>Asset-to-equity:</b>			
Asset-to-Equity ratio	Total Assets/Total Equity	7.72 : 1	8.47 : 1
<b>Interest-rate-coverage:</b>			
*Interest-rate-coverage ratio	Profit Before Tax/Finance Costs	n/a	n/a
<b>Profitability:</b>			
Return-on-investment	Net Income/Average Capital Stock	0.75%	-0.51%

\*The Company has no existing interest-bearing loans as of the given period.



**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as of December 31, 2017**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
<b>PFRS 1</b> <b>(Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* (effective January 1, 2018)			✓
<b>PFRS 3</b> <b>(Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (effective January 1, 2019)			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> * (effective January 1, 2018)			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (effective when PFRS 9 is first applied)			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments (2014)* (effective January 1, 2018)			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (effective January 1, 2019)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* <i>(effective date deferred indefinitely)</i>			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation <i>(effective January 1, 2019)</i>			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* <i>(effective January 1, 2018)</i>			✓
PFRS 16	Leases* <i>(effective January 1, 2019)</i>			✓
PFRS 17	Insurance Contracts* <i>(effective January 1, 2021)</i>			✓
<b>Philippine Accounting Standards (PAS)</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* <i>(effective January 1, 2019)</i>			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendments: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective date deferred indefinitely</i> )			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss ( <i>effective January 1, 2018</i> )			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture ( <i>effective January 1, 2019</i> )			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property (effective January 1, 2018)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration (effective January 1, 2018)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective January 1, 2019)			✓
<b>Philippine Interpretations - Standing Interpretations Committee (SIC)</b>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**			✓
SIC-32	Intangible Assets - Web Site Costs**			✓

\* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.