PALLADIAN LAND DEVELOPMENT, INC.

FINANCIAL STATEMENTS
December 31, 2018 AND 2017

REPORT OF INDEPENDENT AUDITOR

Board of Directors and Stockholders
Palladian Land Development Inc.
1403 Marbella Bldg. 2223 Roxas Blvd.
Pasay City

Opinion

I have audited the accompanying financial statements of **Palladian Land Development Inc.** which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

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

Basis for Opinion

I conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am 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 my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 reasonabless 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

I communicate with those charged with the 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 I identity' during my audit.

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

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Celinia H. Faelmoca

Celinia H. Faelmoca
CPA License No. 0062399
PRC ID expires on October 21, 2020
PTR No. 10877591, February 22, 2019, Province of Rizal
TIN No. 105-992-754
BOA Certificate of Accreditation No. 3454
Valid until October 21, 2021
BIR Accreditation No. 07-001072-002-2016
Valid until September 20, 2019

March 26, 2019
38 Lancia St. Village East
Cainta, Rizal

PALLADIAN LAND DEVELOPMENT INC.
STATEMENTS OF FINANCIAL POSITIONS
December 31, 2018 and 2017

	Notes		2018		2017
ASSETS					
Current Assets					
Cash in banks	8	P	**1,275,195**	P	13,273,991
Accounts receivable	9		-		305,286
Other current assets	10		**5,105,262**		3,603,841
			6,380,457		17,183,118
Non-current assets held for sale	11		**18,477,857**		23,383,669
			24,858,314		40,566,787
Non-Current Assets					
Advances to related parties	21		**938,715**		57,415,354
Investment properties	12		**2,622,787,650**		2,190,158,260
Property and equipment	13		**6,043,348**		3,278,475
Intangible assets	14		**5,000,000**		5,500,000
			2,634,769,713		2,256,352,089
		P	**2,659,628,027**	P	2,296,918,876
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued expenses	15	P	**1,062,837**	P	167,478
Bank loans - current	16		**22,857,352**		43,316,363
			23,920,189		43,483,841
Liability portion of non-current assets held for sale	11		**21,945,941**		28,384,768
			45,866,130		71,868,609
Noncurrent Liabilities					
Bank loans-non-current	16		**1,792,138**		-
Payable to related parties	21		**43,004,350**		65,315,700
Deposits	17		**6,084,975**		5,071,253
Retirement liability	23		**435,873**		354,295
Deferred tax liabilities	24		**703,776,368**		581,650,405
			755,093,704		652,391,653
Total Liabilities			**800,959,834**		724,260,262
Equity					
Share capital	18	P	**200,000,000**	P	200,000,000
Premium on subscribed capital stock	18		**22,000,000**		22,000,000
Retained earnings			**1,636,668,193**		1,350,658,614
			1,858,668,193		1,572,658,614
		P	**2,659,628,027**	P	2,296,918,876

See Notes to Financial Statements

PALLADIAN LAND DEVELOPMENT INC.

STATEMENTS OF COMPRENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

			2018		2017
REVENUES					
Lease income	11	**P**	**10,889,359**	P	7,432,751
Sale of real estate	11		**5,748,953**		-
Other Income					
Fair value gain on investment properties	12		**412,080,122**		-
Interest income			**5,696**		8,999
Unrealized foreign exchange gain			**-**		131,282
			428,724,130		7,573,032
COST AND EXPENSES					
Direct cost	19		**5,424,683**		769,305
Administrative expenses	20		**8,231,146**		6,209,026
Finance cost			**1,573,630**		1,324,687
Impairment losses			**4,912,000**		-
			20,141,459		8,303,018
INCOME BEFORE INCOME TAX			**408,582,671**		(729,986)
INCOME TAX EXPENSE					
Current			**447,129**		133,269
Deferred			**122,125,963**		(32,512)
			122,573,092		100,757
INCOME (LOSS) FOR THE PERIOD		**P**	**286,009,579**	P	(830,743)
EARNINGS PER SHARE	**30**	**P**	**1.43**	**P**	**(0.00)**

See Notes to Financial Statements

PALLADIAN LAND DEVELOPMENT, INC.

STATEMENT OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

		Share Capital		Additional Paid-in Capital		Retained Earnings		Totals
Balance at January 1, 2017	P	200,000,000	P	22,000,000	P	1,351,489,357	P	1,573,489,357
Profit for the period						(830,743)		(830,743)
Balance at December 31, 2017	P	200,000,000	P	22,000,000	P	1,350,658,614	P	1,572,658,614
Profit (loss) for the period					**P**	**286,009,579**	**P**	**286,009,579**
Balance at December 31, 2018	**P**	**200,000,000**	**P**	**22,000,000**	**P**	**1,636,668,193**	**P**	**1,858,668,193**

See Notes to Financial Statements

PALLADIAN LAND DEVELOPMENT INC.

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income before income tax	**P**	**408,582,671**	P	(729,986)
Adjustments to reconcile net income to cash provided by operation:				
Depreciation and amortization		**1,126,198**		901,793
Amortization of intangibles		**500,000**		500,000
Unrealized foreign exchange loss (gain)		**-**		981,258
Provision for retirement		**81,578**		108,373
Impairment loss on investment properties		**4,912,000**		-
Fair value gain on investment properties		**(412,080,122)**		-
Interest income		**(5,696)**		(8,999)
Interest expense		**1,573,630**		1,324,687
Operating income before working capital changes		**4,690,259**		3,077,126
Decrease (increase) in current assets				
Accounts receivables		**305,286**		(157,229)
Other current assets		**(1,501,421)**		(1,467,488)
Non-current assets held for sale		**4,905,812**		-
Increase (decrease) in current liabilities				
Accounts payable		**895,359**		(269,208)
Income taxes paid		**(447,129)**		(133,269)
Interest received		**5,696**		8,999
		8,853,862		1,058,931
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in advances to related party		**56,476,639**		(3,011,506)
Increase (decrease) in payable to related party		**(22,311,350)**		3,280,305
Increase (decrease) in deposits		**1,013,722**		932,364
Decrease in non-current assets held for sale		**(6,438,827)**		-
Acquisition of:				
Investment properties		**(25,461,268)**		(4,356,866)
Transportation equipment		**(3,891,071)**		(1,347,321)
		(612,155)		(4,503,024)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Bank loans		**(61,717,473)**		(3,900,000)
Interest		**(1,573,630)**		(1,324,687)
Proceeds of bank loans		**43,050,600**		20,000,000
		(20,240,503)		14,775,313
NET INCREASE/(DECREASE) IN CASH		**(11,998,796)**		11,331,220
CASH BEGINNING		**13,273,991**		1,942,771
CASH END OF THE PERIOD	**P**	**1,275,195**	**P**	**13,273,991**

See Notes to Financial Statements

PALLADIAN LAND DEVELOPMENT INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Corporate Information

Palladian Land Development Inc. ("the Company"), a corporation duly organized and existing under the laws of the Republic of the Philippines, was incorporated and registered with the Securities and Exchange Commission ("SEC") on June 21, 1989, primarily to acquire by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances.

The company's registered office address is 2223 Marbella Bldg. Roxas Blvd. Pasay City.

The Financial statements were authorized for issue and approved by the Company's board of directors and March 26, 2019.

2. Basis of Preparation and Presentation

Basis of Financial Statement Preparation and Presentation
The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for-sale financial assets (AFS) and investment properties that have been measured at fair values.

The financial statements are presented in Philippine Peso, which is the Company's functional currency. All values represent absolute amounts except when otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

Current versus non-current classification
The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

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

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the reporting period; or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Company classifies all other liabilities as non-current.

Cash and Cash Equivalents
Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Financial Instruments

Date of Recognition
Financial assets and financial liabilities are recognized in the consolidated statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

Initial Recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

Determination of Fair Value
The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instruments or based on a valuation technique, the Group recognizes the difference between the transaction price and fair value in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset.

Classification of Financial Instruments
The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2018 and 2017, the Company's financial instruments are loans and receivables, and other financial liabilities.

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 Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are the Company's cash, receivables and advances to related parties.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statements of comprehensive income.

Included under this category are accounts payable and accrued expenses, bank loans, deposits, and advances from related parties.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statements of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment

Financial Assets
The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

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, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted

at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Non-Financial Assets
The Company's investment properties, property and equipment, investment in associates and intangible asset are subject to impairment testing. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

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.

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party;
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

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

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

Real Estate Inventories
Real estate inventories are carried at the lower of cost and net realizable value (NRV). Cost includes the value of land plus expenditures necessary to complete the housing units. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete and sell the units. NRV is determined in a manner provided in Note 5.

As of December 31, 2018 and 2017, there are no real estate inventories.

Non-current Assets Held for Sale
The Company classifies its non-current assets (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and the sale must be highly probable.

Other Current Assets
Other current assets include 5% withholding taxes on rental services which can be claimed against company's income tax, prepaid expenses and security deposits. Other current assets are carried at original amounts.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both and that is not occupied by the Company.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the Group. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from service and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of income in the year of retirement or disposal.

Investment in Associates
The Company's investments in associates if any are accounted for using the equity method. An associate is an entity in which a company has significant influence. Under the equity method, the investments in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

Upon loss of significant influence over the associate, the equity method is discontinued and the investment is accounted in accordance with PAS 39, Financial Instruments: Recognition and Measurement.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. 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, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	No. of years
Office furniture and fixtures	10
Transportation equipment	6
Leasehold improvements	3-13 or lease term whichever is shorter

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.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting period.

An item of property and equipment 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 consolidated statements of income in the year the item is derecognized.

Intangible Asset
The Company's portal and enterprise system is carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization is computed based on the aggregate predicted life of 15-20 years from the date of launch.

Accounts Payable and Accrued Expenses
Accounts payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts payable are non-interest bearing and are stated at their original invoice amount since the effect of discounting is immaterial.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

Bank Loans
Bank loans are measured at their nominal values and subsequently recognized at amortized costs less payments.

Deposits
Deposits represent security deposits from clients and reservation fees from real estate buyers. The same will be applied to contract price when the buyer committed to purchase the unit. Reservation fees are non-refundable should the buyer decided not to go through with the acquisition of the property.

Equity
Share capital is determined using the par value of shares that have been issued and fully paid.

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

Unrealized gain/loss on AFS financial assets pertains to mark-to-market valuation of available-for-sale financial assets.

Retained earnings include all current and prior period results of operations as disclosed in the consolidated statements of comprehensive income.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses that are not recognized in the profit or loss for the year in accordance with PFRS.

As of December 31, 2018 and 2017, the Company has no other comprehensive income.

Revenue and Cost Recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(i) Interest – interest income from bank deposits is recognized as interest accrues taking into account the effective yield on the related asset.

(ii) Profit from assets sold or exchanged – recognized when the title to the asset is transferred to the buyer or if the collectability is reasonably assured. If collectability is not reasonably assured, revenue is recognized only to the extent cash is received.

(iii) Rental from operating leases - properties leased out under operating leases are included in investment property in the consolidated statements of financial position. Lease income is recognized over the term of the lease on a straight-line basis.

(iv) Sales of services – revenue are recognized upon rendering of services or completion of services made.

(v) Dividends - dividends are recognized in the period in which they are declared.

(vi) Fair value gains on investment properties – fair value gains on investment properties are recognized when the market value of the investment properties are higher than its carrying value. Measurement of fair value is discussed in Note 6.

Cost and expenses are recognized in the consolidated statements of income upon utilization of the assets or services or at the date they are incurred. Interest expense is reported on accrual basis.

Retirement Benefit Cost
The Company accrues retirement expense based on the provision of the Retirement Pay Law (R.A. 7641). The RA requires that employers with no formal retirement plan or agreement providing for retirement benefits shall provide for retirement pay equivalent to at least 15 days plus 1/12 of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leave for employees who have rendered at least five (5) years of service and have reach the age of 60 at the time of retirement. Annually, the Group assesses the sufficiency of the recorded retirement liability. Any increase or decline thereto is adjusted in the consolidated statement of financial position.

Borrowing Costs
Borrowing costs are generally expense as incurred. Borrowing costs are capitalized if they are attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use.

Income Taxes
Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted at the end of reporting period.

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

Under the balance sheet 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 carry forward 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 is to be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statements of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Foreign Currency Transactions and Translations

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (*the functional currency).* The financial statements are presented in Philippine Peso, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income.

Provisions

Provisions are recognized when present obligation 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 commitment that has resulted from past events, for example legal disputes for onerous contract.

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. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. 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 obligation as a whole. In addition, long term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the d financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Earnings (Loss) Per Share
Earnings (Loss) per share are determined by dividing the profit for the year by the weighted average number of common shares outstanding during the fiscal year.

Related Party Transactions and Relationships
Related party relationships exist when one party has the ability to control directly or indirectly through one or more of the intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting entity and its key management personnel, directors or its shareholders. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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

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

4. Changes in Accounting Standards

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2018
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2018.

Amendments to PFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

The amendments are intended to clarify following:

- Accounting for cash-settled share-based payment transactions that include a performance condition;
- Classification of share-based payment transactions with net settlement features; and
- Accounting for modifications of share-based payment transactions from cash-settled to equity settled

They are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted.

The adoption of this amendment did not result in any impact on the financial statements since the Company has no share-based payment transactions.

PFRS 9, *Financial Instruments*
PFRS 9 *Financial Instruments,* which replaces PAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9, brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company chose not to restate comparative figures permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.

As of January 1, 2018, the Company has reviewed and assessed all of its existing financial assets. The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Company in its evaluation of the classification and measurement categories under PFRS 9.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no significant impact on the carrying amounts of the Parent Company's financial assets.

Further, there is no significant impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

Amendments to PFRS 4, *Insurance Contracts – Applying PFRS 9 'Financial Instrument' with PFRS 4 'Insurance Contracts'*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since there are no activities that are predominantly connected with insurance or issue insurance contracts.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 18, *Transfer of Assets from Customers* and SIC-31, Revenue - *Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

For sale of real estate, the Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer/buyer. The Company considers the stage of revenue recognition with reference to stage of completion, percentage of payment and ability of the buyer to complete the payment of contract price. Accordingly, the

adoption of PFRS 15 has no significant impact in the timing of the Company's revenue recognition.

Amendments to PAS 40, *Investment Property – Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after July 1, 2018. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments did not result in any impact on the Company's financial statements.

Annual Improvements to PFRSs (2014-2016 cycle)
The Annual Improvements to PFRSs (2014-2016 cycle) are effective for annual periods beginning on or after January 1, 2018 and did not result in any material impact to the Company's financial statements. They include:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*
  The amendment deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1, because they have now served their intended purpose.

- PFRS 12, *Disclosure of Interests in Other Entities*
  The amendment clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.*

- PAS 28, *Investments in Associates and Joint Ventures*
  The amendment clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Philippine IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of this interpretation did not result in any significant impact on the financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2018
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2018 are disclosed below. Except as otherwise indicated, the Company

does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Effective in 2019

PFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating lease or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective application, with options to use certain transition reliefs.

Annual Improvements to PFRSs (2015-2017 cycle)
The Annual Improvements to PFRSs (2015-2017 cycle) are effective for annual periods beginning on or after January 1, 2019 and will not have any material impact to the Company's financial statements. They include:

- PFRS 3, Business Combinations and PFRS 11, Joint Arrangements
  The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re measures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re measure previously held interests in that business.

- PAS 12, Income Taxes
  The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- PAS 23, Borrowing Costs
  The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
The amendments cover two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of PFRS 9, in particular some pre- payable financial assets.

- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under PAS 39.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments will not have significant impact on the Parent Company's financial statements.

Deferred

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

5. Summary of Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about varying values of assets and liabilities that are not readily apparent from other sources. Although, these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

(i) Judgments
The following judgments were applied which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of functional currency
The Company has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the Company operates.

Classification of financial assets
In classifying its financial assets, the Company follows the guidance of PAS 39. In making the judgment, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

Estimating net realizable value of real estate inventories
The carrying value of real estate inventories is carried at lower of cost or net realizable value (NRV). The estimates used in determining NRV is dependent on the recoverability of its cost with reference to existing market prices, location or the recent market transactions. The amount and timing of recorded cost for any period would differ if different estimates were used.

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as investment property. If an insignificant portion is leased out under the operating lease, the property is treated as property and equipment. If the property is not occupied and is held to earn, it is treated as investment property.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of services or for administrative purposes. If these portions cannot be sold separately as of the end of reporting period, the property is accounted for as investment property only if an insignificant portion is held for use to the production or supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The company considers each property separately in making its judgment.

Operating leases – Company as lesser
The Company has entered into property leases on a portion of its investment property. The Company has determined that it retains all significant risks and rewards of ownership of those properties which are leased out on operating leases.

The Company's rental income amounted to P10,889,359 in 2018 and P7, 432,751 in 2017.

Determination of fair value of assets and liabilities
The Company measures fair value of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair value determination is discussed below.

Level 1
Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. An asset or liability is regarded as quoted in an active market 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.

Level 2
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of assets and liabilities were determined in a manner disclosed in Note 6.

Provision and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

(ii) Estimates
The key assumptions concerning the future and other key sources of estimation of uncertainty at end of reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of allowance for impairment losses on receivables
The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible accounts. The level of allowance for impairment losses is evaluated by management on the basis of factors affecting collectability of the receivables. In addition, a review of the accounts designed to identify accounts to be provided with allowance, is made on a continuing basis

Determination of fair value of assets and liabilities
The fair value of assets and liabilities were determined in a manner disclosed in Note 6.

Estimated useful lives of property and equipment

The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

Property and equipment, net of accumulated depreciation and impairment losses, amounted to P6.043 million and P3.278 million as of December 31, 2018 and 2017, respectively.

Estimating fair value of investment properties
The best evidence of fair value is current prices in an active market for similar properties and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making its judgment, the Company considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
(iii) appraisal of independent qualified appraisers.

On April 2, 2018, a reappraisal was made for part of the Company's investment properties. The appraisal resulted into an increment amounting to P407 million. The amount was reported as "Unrealized gain on investment properties" in the statement of comprehensive income, net of deferred income tax. For lots, raw land and condominium units, the value were arrived at using the *Sales Comparison Approach.* This is a comparative approach to value that considers the sales of similar substitute properties and related market data and establishes a value estimate by processes involving comparison, listings and offerings. The value of improvements was determined under the *Cost approach*. The approach is based on the reproduction cost of the subject property, less depreciation, plus the value of the land to which an estimate of entrepreneurial incentive is commonly added.

Investment properties amounted to P2.622 billion and P2.190 billion as of December 31, 2018 and 2017.

Impairment of investment in associates and advances to related parties
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.

The net carrying value of advances to related parties as of December 31, 2018 and 2017 is as follows:

	2018 Gross carrying amount	2018 Net carrying amount	2017 Gross carrying amount	2017 Net carrying amount
Advances to subsidiaries				
Advanced Home Concept Dev. Inc.	**P 938,715**	**P 938,715**	P 878,715	P 878,715
ATN Holdings, Inc.	**-**	**-**	53,544,981	53,544,981
Advances to related parties				
Unipage Mgt. Inc.	**-**	**-**	2,696,439	2,696,439
Transpacific Broadband Group	**-**	**-**	295,219	295,219
	P 938,715	**P 938,715**	P 57,415,354	P 57,415,354

6. Fair Value Measurement

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable price exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the consolidated statements of income unless it qualifies for recognition as some other type of asset.

Set out below is the comparison of fair value and carrying value by category of financial assets and liabilities at the end of the reporting period.

	2018 Carrying value	2018 Fair value	2017 Carrying value	2017 Fair value
Loans and receivables				
Cash	**1,275,195**	**1,275,195**	13,273,991	13,273,991
Other financial liabilities				
Accounts payable and accrued expenses	**1,062,837**	**1,062,837**	167,478	167,478
Bank loans	**24,649,490**	**24,649,490**	43,316,363	43,316,363
Deposits	**6,084,975**	**6,084,975**	5,071,253	5,071,253

Fair values were determined as follows:

- *Cash and cash equivalents, receivables, other current assets, deposits and other financial liabilities* – the fair values are approximately the carrying amounts at initial recognition due to short-term nature.

- *Bank loans* – the fair value of the loans payable is determined by discounting the principal using the market rate of 6. 5%.

7. Financial Instruments, Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and market risk. Risk management policies are summarized below.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Group is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

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

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2018 and 2017 based on contractual undiscounted payments:

2018	On demand	Not later than one month	Later than 1 month & not later than 3 mos	Later than 3 mos & not later than 1 year	No fixed payment period	Total
Accounts payable and accrued expenses	**P 436,686**	**P -**	**P -**	**P -**	**P -**	**P 1,062,837**
Bank loans	**-**	**-**	**-**	**24,649,490**	**-**	**24,649,490**
Payable to related parties	**-**	**-**	**-**	**-**	**43,004,350**	**43,004,350**
Deposits	**-**	**-**	**-**	**-**	**6,084,975**	**6,084,975**
	P 436,686	**P -**	**P -**	**P 24,649,490**	**P 49,089,325**	**P 74,801,652**

2017	On demand	Not later than one month	Later than 1 month & not later than 3	Later than 3 mos & not later than 1 year	No fixed payment period	Total
Accounts payable and accrued expenses	P 167,478	P -	P -	P -	P -	P 167,478
Bank loans	-	-	-	43,316,363	-	43,316,363
Payable to related parties	-	-	-	-	65,315,700	65,315,700
Deposits	-	-	-	-	5,071,253	5,071,253
	P 167,478	P -	P -	P 43,316,363	P 70,386,953	P 113,870,794

Credit Risk

Credit risk is risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The table below shows the gross maximum exposure to credit risk of the Company as of December 31, 2018 and 2017. Net maximum exposure is the effect after considering the collaterals and other credit enhancements.

	Gross maximum exposure	
	2018	2017
Cash in bank	**P 1,275,195**	P 13,273,991
Accounts receivable	**-**	305,286
Advances to related parties	**938,715**	57,415,354
	P 2,213,910	P 70,994,631

Credit quality of the Company's assets as of December 31, 2018 and 2017 is as follows:

2018	**Neither past due nor impaired High Grade**	**Standard grade**	**Past due but not impaired**	**Past due and impaired**	**Total**
Cash in bank	**P 1,275,195**	**P -**	**P -**	**P -**	**P 1,275,195**
Advances to related parties	**-**	**-**	**938,715**	**-**	**938,715**
	P 1,275,195	**P -**	**P 938,715**	**P -**	**P 2,213,910**

2017		Neither past due nor impaired High Grade		Standard grade		Past due but not impaired		Past due and impaired		Total
Cash in bank	P	1,942,771	P	-	P	-	P	-	P	13,273,991
Accounts receivable		-		305,286		-		-		305,286
Advances to related parties		-		-		57,415,354		-		57,415,354
	P	1,942,771	P	305,286	P	57,415,354	P	-	P	70,994,631

High grade cash in bank are short-term placements placed, invested, or deposited in banks belonging to the top banks in the Philippines in terms of resources and profitability.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

As of December 31, 2018 and 2017, all of the Company's past due but not impaired receivables are 120 days past due amounting to P938,715 and P57,415,354 respectively.

Market Risk
The Company is not exposed to market risk with respects to financial instruments it does not hold in equity securities.

Foreign Exchange Risk
The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the Yen and Dollar loans. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The carrying amount of the Company's foreign currency denominated monetary liabilities at the reporting date is as follows:

	2018				2017			
	Peso Equivalent		**Foreign Currency Equivalent**		Peso Equivalent		Foreign Currency Equivalent	
Japanese Yen Loan	**P**	**-**	**¥**	**-**	P	23,316,363	¥	52,232,000

The table below details the Company's sensitivity to a 5% increase and decrease in the functional currency of the Company against the relevant foreign currencies. The sensitivity rate used in reporting foreign currency risk is 5% and it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period and in foreign currency rates. The sensitivity analysis includes all of the Company's foreign currency denominated liabilities. A positive number below indicates an increase in net income when the functional currency of the Company strengthens at 5% against the relevant currency, there would be an equal and opposite impact on the net income when the balances would be negative.

2017	Effect on Income before taxes
Increase/Decrease in Peso to Japanese Yen Rate	
+5%	+1.16 Million
-5%	-1.16 Million

Interest Rate Risk
The primary source of the Company's interest rates risk relates to debt instruments. The interest rates on this liability are disclosed in Note 16.

An estimate of 100 basis points increase or decrease is used in reporting interest rate changes on fair value of loans and represents management's assessment of the reasonable possible change in interest rates.

Price Risk
The Company is exposed to property price and property rentals risk and to market price changes of financial assets through profit or loss.

Capital Management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders or issue new shares.

The capital structure of the Company consists of issued share capital and additional paid-in capital.

The financial ratio at the year end, which is within the acceptable range of the Company, is as follows:

		2018		2017
Equity	**P**	**1,858,668,193**	P	1,572,658,614
Total assets		**2,659,628,027**		2,296,918,876
Ratio		**0.70**		0.69

8. Cash in banks

Cash in banks as of December 31, 2018 and 2017 is P1,275,195 and P13,273,991 respectively.

Cash in banks accounts generally earn interest at rates based on prevailing bank deposit rates.

9. Accounts Receivable

Total accounts receivable as of December 31, 2017is P305,286 and fully collected in 2018. These receivables are not subject to interest.

10. Other Current Assets

This account consist of:

		2018		2017
Prepaid tax	**P**	**1,836,610**	P	2,004,457
Input Vat		**1,659,442**		236,557
Prepaid expenses and deposits		**1,609,210**		1,362,827
	P	**5,105,262**	P	3,603,841

Prepaid taxes are portion of rental income withheld by various tenants. The same may be applied against future income tax liabilities.

11. Non-current Assets Held for Sales

The Company entered into a contract to sell for the sale of its investment properties at a total contract price of P20.695 million. Payments are made in equal monthly installments over a period of 10 years. In 2018, management believes, that with the cumulative payments to date, it is reasonably expected that the remaining balance will be faithfully completed by the buyer. Hence, the cost of investment property subject of the contract to sell was reclassified to Non-current asset held-for-sale during 2017.

Consistent with the reclassification of the investment properties, the related liability of the asset held for sale were also reclassified to liability portion of non-current assets held for sale amounting to P21.9 million and P28.4 million as of December 31, 2018 and 2017, respectively.

These liabilities comprise the payments made by the other party in the aforesaid contract to sell.

In 2018 the company recognizes a sale in non-current assets held for sale of P5.748 million.

12. Investment Properties

The composition of this account is as follows:

		2018		2017
Land	**P**	**2,375,494,795**	P	2,008,996,267
Condominium units	**P**	**240,924,855**	P	169,881,993
Commercial buildings		**6,368,000**		11,280,000
	P	**2,622,787,650**	P	2,190,158,260

Investment properties consist of land, raw land, condominium units and commercial building. The movement of this account is as follows:

		2018		2017
Balance at beginning of year	**P**	**2,190,158,260**	P	2,209,185,063
Changes in fair value arising from appraisal		**407,168,122**		-
Addition during the year		**25,461,267**		4,356,866
Re-classification		**-**		(23,383,669)
	P	**2,622,787,649**	P	2,190,158,260

On April 2, 2018 certain investment properties situated in Mandaluyong and Rodriguez, Rizal were re-appraised to properly reflect its fair market value. The appraisal resulted to an increase in value of investment amounting to P432 million. The fair market value is determined by a firm of independent appraiser on April 2, 2018 using the Market approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. Accordingly, the Company categorized these condominium units under Level 2 of the fair value hierarchy.

Commercial building situated at San Fernando, Pampanga has been re-appraised to properly reflect its fair market value. The investment property has a sound value of P6.638 million based on its depreciated appraisal value and as a result of valuation, the Company recognized an impairment loss amounting to P4.912 million reported in the Statements of Income. The valuation method used in determining the appraised value of this property is Cost Approach, a comparative approach based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.

Rental income on investment properties amounted to P10,889,389 and P7,432,751 in 2018 and 2017 respectively.

Certain investment properties were pledge to the bank to secure the Company's financing requirements (see Note 15).

13. Property and Equipment

Property and equipment consists of:

2018 Kind of Property	Transporation Equipment	Leasehold Improvements	ce Furniture and Fixtures	Total
Balance at beginning of year	**1,347,321**	**P 7,963,628**	**P 930,139**	**P 10,241,088**
Addition during the year	**3,891,071**	**-**		**3,891,071**
Balance at end of year	**P 5,238,392**	**P 7,963,628**	**P 930,139**	**P 14,132,159**
Accumulated depreciation and amortizations				
Balance at beginning of year	**87,277.00**	**6,065,500**	**809,836**	**6,962,613**
Depreciation for the year	**311,682**	**778,711**	**35,805**	**1,126,198**
Balance at end of year	**398,959**	**6,844,211**	**845,641**	**8,088,811**
Book value	**P 4,839,433**	**P 1,119,417**	**P 84,498**	**P 6,043,348**

2017 Kind of Property	Transporation Equipment	Leasehold Improvements	ffice Furniture and Fixtures	Total
Balance at beginning of year		P 8,421,246	P 930,139	P 9,351,385
Addition during the year	1,347,321	(457,618)		889,703
Balance at end of year	P 1,347,321	P 7,963,628	P 930,139	P 10,241,088
Accumulated depreciation and amortizations				
Balance at beginning of year	-	5,286,789	774,031	6,060,820
Depreciation for the year	87,277	778,711	35,805	901,793
Balance at end of year	87,277	6,065,500	809,836	6,962,613
Book value	P 1,260,044	P 1,898,128	P 120,303	P 3,278,475

14. Intangible Asset

Intangible asset represent the web-based portal of a subsidiary for the marketing of its medical services to local and international clients.

The movement in intangible asset is as follows:

	2018	2017
Cost	**P 10,000,000**	P 10,000,000
Accumulated amortization		
Balance at beginning of year	**4,500,000**	4,000,000
Provisions	**500,000**	500,000
Balance at end of year	**5,000,000**	4,500,000
Net Book Value at end of the year	**P 5,000,000**	P 5,500,000

15. Accounts payable and accrued expenses

This account consists of the following:

	2018	2017
Trade	**P 765,040**	P -
Others	**297,798**	167,478
	P 1,062,837	P 167,478

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are noninterest-bearing and are normally settled on a 90-day term;
- Accrued expenses are noninterest-bearing and have an average term of two (2) months;
- Other current liabilities are noninterest-bearing and have a maximum term of six (6) months.

The fair values of accounts payable and accrued expenses have not been disclosed due to their short duration. Management considers the carrying amounts recognized in the statement of financial position to be a reasonable approximation of their fair values.

16. Bank Loans

Bank loans pertain to the outstanding balance of pesos and yen loans with Rizal Commercial Banking Corporation, China Banking Corporation and United Coconut Planters Bank which are covered by promissory notes. These loans are secured by a mortgage on certain investment property.

The outstanding balances of this account as of December 31 are as follows:

		2018		2017
China Banking Corporation	**P**	**21,900,000**	P	20,000,000
United Coconut Planters Bank		**2,749,490**		-
Rizal Commercial and Banking Corporation		**-**		23,316,363
		24,649,490		43,316,363
Less: current portion		**22,857,352**		43,316,363
	P	**1,792,138**	P	-

Financing charges related to peso and foreign currency loans amounted to P1,573,630 and P1,324,687 in 2018 and 2017 respectively.

Loans from RCBC is subject to a hedging agreement with UMI under the following conditions:

- PLDI will pay UMI the amount of P150,000 to hedge the JPY52million loan from foreign currency changes.
- Reckoning date of foreign currency loss shall be December 31, every year.
- Any book losses at the end of the year shall be for the account of UMI.

On various dates in 2018 the company paid in full the yen loan in the amount of P23,316,363.

17. Deposits

This account represents deposit on operating leases is made in compliance with the existing leasing agreement with lessee. The amount is refundable at the expiration of lease contracts. As of December 31, 2018 and 2017,k deposits on operating leases amounted to P6,084,975 and P5,071,253 respectively.

18. Equity

Share capital

The company's authorized, subscribed and paid-up capital consist of:

	2018		2017	
	No. of shares	**Amount**	No. of shares	Amount
Authorized – P10 par value	**20,000,000**	**P200,000,000**	20,000,000	P200,000,000
Subscribed and paid-up	**20,000,000**	**P200,000,000**	20,000,000	P200,000,000

Premium on subscribed share capital

The company has no additional premium on share capital subscribed as of December 31, 2018 and 2017.

19. Direct Costs

The breakdown of this account as as follows:

		2018		2017
Cost of real estate	**P**	**4,905,812**	P	-
Real estate taxes		**518,871**		769,305
	P	**5,424,683**	P	769,305

20. Administrative expenses

The breakdown of this account is as follows:

		2018		2017
Communication, dues and utilities	**P**	**1,792,461**	P	1,678,435
Depreciation and amortization		**1,626,198**		1,401,793
Salaries, wages and other benefits		**1,421,538**		1,245,610
Taxes and licenses		**652,707**		82,582
Contractual services		**651,102**		29,375
Salaries of security guards		**557,674**		624,600
Rental		**482,377**		567,414
Transportation and travel		**223,290**		129,675
Office supplies		**198,728**		68,650
Miscellaneous		**190,850**		111,537
Insurance		**182,643**		-
Hedging fee		**150,000**		150,000
Provision for retirement		**81,578**		108,373
Professional fees		**20,000**		10,982
	P	**8,231,146**	P	6,209,026

21. Related Party Transactions

The following related party transactions occurred during 2018 and 2017:

	Transaction	Amount	Year-end balances	Terms	Conditions
Advances to related party					
ATN Holdings Inc.					
2018	Advances	7,000,000	(7,520,627)	no payment	Unsecured
	Payment of advances	(68,065,608)		terms	no impairment
2017			53,544,981		
Advanced Home Concept Dev. Corp.					
2018	Advances	60,000	938,715	no payment	Unsecured
2017	during the year	-	878,715	terms	no impairment
Transpacific Broadband Group Int'l., Inc.					
2018	Advances	1,288,840	(1,100,664)	no payment	Unsecured
	Payment	(2,684,723)		terms	no impairment
2017			295,219		
Unipage Management Inc.					
2018	Advances	-	-	no payment	Unsecured
	Payment	(2,696,439)		terms	no impairment
2017			2,696,439		
Total advances to related parties					
2018			**938,715**		
2017			57,415,354		

Payable to related parties					
ATN Holdings Inc.					
2018	Advances	(7,000,000)	7,520,626	no payment	Unsecured
	Payment of advances	68,065,607		terms	no impairment
2017			(53,544,981)		
Transpacific Broadband Group Int'l., Inc.					
2018	Advances	(1,288,840)	1,100,664	no payment	Unsecured
	during the year	2,684,723		terms	no impairment
2017			(295,219)		
ATN Phils. Solar					
2018	Payment of advances	(32,560,842)	34,383,059	no payment	Unsecured
	Advances	68,096,648		terms	no impairment
2017			(1,152,747)	no payment	Unsecured
				terms	no impairment
Shareholders					
2018	Payment of advances	(94,950,000)	-	no payment	Unsecured
	Cash advance	30,787,047		terms	no impairment
2017			64,162,953	no payment	Unsecured
				terms	no impairment
Total payable to related parties					
2018			**43,004,350**		
2017			65,315,700		

22. Retirement Benefits

The Company provides for estimated retirement benefits costs required to be paid under RA 7641 to qualifying employees. The cost of defined retirement benefits, including those mandated under RA 7641 should be determined using the accrued benefits valuation method or projected benefit valuation method. Both methods require an actuarial valuation which the Group has not undertaken. Management believes, however, that the effect on the financial statements of the difference between the retirement cost determined under the current method used by the Group and an acceptable actuarial valuation method is not significant.

The balance of retirement liability account as of December 31, 2018 and 2017 is P435,873 and P354,295 respectively.

23. Income Taxes

Components of income tax reported in the statements of comprehensive income are as follows:

		2018		2017
Current	**P**	**447,129**	**P**	**133,269**
Deferred		**122,125,963**		**(32,512)**
	P	**122,573,092**	P	100,757

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense is as follows:

		2018		2017
Statutory income tax	**P**	**122,574,801**	P	(218,996)
Tax effect of:				
Income subject to final tax		**(1,709)**		(2,700)
Actual provision for income tax		**122,573,093**		100,757

The component of the Company's deferred income tax assets and liabilities is as follows:

		2018		2017
Unrealized gain on fair value adjustment				
of investment properties	**P**	**703,907,131**	P	581,756,695
Retirement liability		**(130,763)**		(106,289)
	P	**703,776,368**	P	581,650,406

The Company did not recognize any deferred tax assets as at December 31, 2017 and 2016 on net operating loss carry over (NOLCO) and minimum corporate income tax (MCIT) since it does not expect to have sufficient profit against which the deferred tax assets can be utilized:

24. Earnings (Loss) Per Share

Earnings per share is computed by dividing the loss by the weighted average number of common shares as follows:

		2018		2017
Earnings (A)	**P**	**286,009,579**	P	(830,743)
Divided by:				
Weighted Average Shares (B)		**200,000,000**		200,000,000
Earnings per share (A/B)		**1.43**		(0.00)

As of the respective year ends, there are no potentially convertible shares.

25. Commitments and contingencies

Operating Lease Commitments

Certain investment properties of the Company are leased out to third parties under the operating lease agreement. The lease term is for the period of 1 year renewable at the option of both parties.

26. Other Internal Revenue Matters

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

a.	VAT Output taxes	1,996,597
	Gross revenue subject to VAT	16,638,312
	Zero rated sales - Peza Accredited	-
b.	VAT input taxes	
	Amount	3,021,986
	Domestic purchased of goods and services	1,644,028
	Capital assets	23,539,184
c.	Other taxes, licenses and fees	
	Local	
	Business permit	84,590
	Real estate taxes	1,086,487
	National	
	Annual registration	500
d.	Withholding taxes	
	Tax on compensation and benefits	26,251
	Creditable withholding taxes	45,289
	Final withholding taxes	-

Deficiency tax assessments and tax cases

The company has no existing deficiency tax assessments.

Supplementary information required under RR 19-2011

Details of direct costs for income tax purposes as follows:

Cost of real estate	**P**	**4,905,812**
Real estate taxes		**518,871**
	P	**5,424,683**

Details of administrative expenses for income tax purposes as follo

Communication, dues and utilities	P	1,792,461
Depreciation and amortization		1,626,198
Salaries, wages and other benefits		1,421,538
Interest and bank charges		1,573,630
Taxes and licenses		652,707
Contractual services		651,102
Salaries of security guards		557,674
Rental		482,377
Transportation and travel		223,290
Office supplies		198,728
Miscellaneous		190,850
Insurance		182,643
Hedging fee		150,000
Professional fees		20,000
		9,723,198

ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
December 31, 2018 AND 2017

REPORT OF INDEPENDENT AUDITOR

BOARD OF DIRECTORS AND STOCKHOLDERS
ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION
9F Summit One Tower, 530 Shaw Blvd.
Mandaluyong City

Opinion

I have audited the accompanying financial statements of ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

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

Basis for Opinion

I conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am 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 my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 reasonabless 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

I communicate with those charged with the 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 I identity' during my audit.

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

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 18 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Celinia H. Faelmoca

Celinia H. Faelmoca
CPA License No. 0062399
PRC ID expires on October 21, 2020
PTR No. 10877591, February 22, 2019, Province of Rizal
TIN No. 105-992-754
BOA Certificate of Accreditation No. 3454
Valid until October 21, 2021
BIR Accreditation No. 07-001072-002-2016
Valid until September 20, 2019

March 26, 2019
38 Lancia St. Village East
Cainta, Rizal

ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITIONS
DECEMBER 31, 2018 AND 2017

APR 0 8 2019

	Notes		2018		2017
ASSETS					
Current Assets					
Cash in banks	8	P	**10,502**	P	51,502
Other current assets	9		**136,038**		81,088
			146,540		132,590
Noncurrent Assets					
Investment property	10		**25,501,001**		9,200,044
		P	**25,647,541**	P	9,332,634
LIABILITIES AND EQUITY					
Noncurrent Liabilities					
Payable to related parties	11,14	P	**14,496,123**	P	14,409,447
Deferred tax liability			**4,890,287**		-
Total Liabilities			**19,386,410**		14,409,447
EQUITY					
Share Capital	12		**2,000,000**		2,000,000
Retained Earning	13		**4,261,131**		(7,076,813)
			6,261,131		(5,076,813)
		P	**25,647,541**	P	9,332,634

See notes to Financial Statements

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 7
RDO 41 MANDALUYONG CITY
RECEIVED
APR 0 4 2019
ABYGAIL NICOLE O. RODRIGO

ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Notes		2018		2017
FAIR VALUE GAIN ON INVESTMENT PROPERTY		**P**	**16,300,957**	P	-
INTEREST INCOME			**1,009**		58
			16,301,966		**58**
EXPENSES	17		**73,735**		84,334
INCOME (LOSS) BEFORE INCOME TAX			**16,228,231**		(84,276)
INCOME TAX DEFERRED			**4,890,287**		-
INCOME (LOSS) FOR THE YEAR			**11,337,944**		(84,276)
INCOME PER SHARE			**5.67**		(0.04)

See notes to Financial Statements

ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

		Share Capital		Retained Earnings		Totals
Balance at January 1, 2017	P	2,000,000	P	(6,992,537)	P	(4,992,537)
Net Loss				(84,276)		(84,276)
Balances at December 31, 2017		**2,000,000**		**(7,076,813)**		**(5,076,813)**
						-
Net Income				**11,337,944**		**11,337,944**
Balances at December 31, 2018	**P**	**2,000,000**	**P**	**4,261,131**	**P**	**6,261,131**

See notes to Financial Statements

ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	**P**	**16,228,231**	P	(84,276)
Adjustments to reconcile net income to cash provided by operating activities:				
Fair value gain on investment property		**(16,300,957)**		-
Decrease (Increase in other current assets		**(54,950)**		-
Interest income		**(1,009)**		(58)
Net cash provided by operations		**(128,685)**		(84,334)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase/(Decrease) in :				
Payable to related party		**86,676**		65,425
Interest received		**1,009**		58
		87,685		65,483
NET INCREASE/(DECREASE) IN CASH		**(41,000)**		(18,851)
CASH BEGINNING OF YEAR		**51,502**		70,353
CASH END OF YEAR	**P**	**10,502**	P	51,502

See notes to Financial Statements

ADVANCED HOME CONCEPT DEVELOPMENT CORP.
Notes to Financial Statement
December 31, 2018 and 2017

1. Corporate Information

Advanced Home Concept Development Corporation ("the Company"), a corporation duly organized and existing under the laws of the Republic of the Philippines, was incorporated and registered with the Securities and Exchange Commission ("SEC") on March 14, 1998, primarily to acquire by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances.

The company's registered office address is 9F Summit One Tower, 530 Shaw Boulevard, Mandaluyong City.

The accompanying financial statements were authorized for issue in accordance with the resolution by the Board of Directors (BOD) on March 26, 2019.

The board of directors is still empowered to make revisions on financial statements even after the date of issue.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared on a fair value measurement. The financial statements are presented in Philippine Pesos, which is the Company's functional currency. All amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Cash in bank

Cash in bank in current accounts earn interest at the respective bank deposit rates and these are deposits held at call with banks. Cash equivalents if any may consist of short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Trade Receivable

Trade receivables are stated at their nominal values as reduced by any appropriate allowances for doubtful accounts. Any allowance for impairment loss and allowance for doubtful accounts are the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables. Any doubtful account expense is to be recognized in the statement of income.

Financial Instruments

Date of Recognition

Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

Determination of Fair Value

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statements of income unless it qualifies for recognition as some other type of asset.

Classification of Financial Instruments

The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

AFS securities

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in equity account as “Revaluation reserve on AFS financial assets”. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

As of December 31, 2018 and 2017, there are no financial assets under this category.

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. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category is the company’s cash in bank.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

Included under this category are accounts payable and accrued expenses and long term loans payable.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment
Financial Assets
The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

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, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets
Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such

as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Non-Financial Assets
The Company's property and equipment are subject to impairment testing. All other individual assets' or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its carrying amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

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.

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party.
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

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

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

<u>Other current assets</u>
Other current asset consists of 12% input tax from purchases of goods and services which can be claimed against output tax and prepaid expenses.

Real Estate Inventory

Real estate inventory if any, are accounted for as current assets. Initially, the lots are measured at cost including transaction costs

Real estate inventory are derecognized when they have either been disposed of or when permanently withdrawn from use and no future benefit is expected. Any gain and loss on disposal is recognized in the consolidated statement of income in the year of disposal.

Property and Equipment

Property and equipment if any, are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price, including any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations of such period

Depreciation is computed on a straight-line basis over the estimated useful lives except for portal and enterprise system which is computed based on the aggregate predicted life of 15-20 years from the date of launch.

The useful life of each of the property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment 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 statement of operations in the year the item is derecognized.

Investment properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both and that is not occupied by the company.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the Group. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal.

Investment in Associate
An associate if any, is an entity in which the investor has a significant influence and which is neither a subsidiary nor a joint venture.

Investment in associate is accounted for using the equity method of accounting and initially recognized at cost, and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate.

Accounts Payable and accrued expenses
Accounts payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are non interest bearing and are stated at their nominal value.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions

Long-term loans
Long-term loans if any, are measured at their nominal values and subsequently recognized at amortized costs less settlement payments.

Equity
Share capital is determined using the nominal value of shares that have been issued.

Any costs of acquiring Company's own shares are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

Deficit include all current and prior period results as disclosed in the statement of income.

Comprehensive Income
Comprehensive income, if any are recognized as part of total comprehensive income, outside of profit or loss, when they arise. Comprehensive income may represent some gains and losses arising on translating the financial statements of a foreign corporation, some actuarial gains and losses, and some changes in fair values of hedging instruments.

The Company has no comprehensive income for the periods ending December 31, 2018 and December 31, 2017.

Revenue and cost recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Interest – interest income from bank deposits is recognized as interest accrues taking into account the effective yield on the related asset.

(ii) Profit from assets sold or exchanged – recognized when the title to the asset is transferred to the buyer or if the collectability is reasonably assured. If collectability is not reasonably assured, revenue is recognized only to the extent cash is received.

(iii) Rental from Operating Leases
Properties leased out under operating leases are included in investment property in the statement of financial position. Lease income is recognized over the term of the lease on a straight-line basis.

(iv) Dividends - Dividends are recognized in the period in which they are declared.

(v) Fair value gains on investment properties – fair value gains on investment properties are recognized when the market of the investment properties are higher than its carrying value.

As of December 31, 2018 and 2017, the Company has no income from operation.

Operating expenses are recognized in the statement of income upon utilization of the service or in the date they are incurred. Finance costs are reported on an accrual basis.

Retirement Benefit Cost

The Company accrues retirement expense if any, based on the provision of the Retirement Pay Law (R.A. 7641). The RA requires that employers with no formal retirement plan or agreement providing for retirement benefits shall provide for retirement pay equivalent to at least 15 days plus 1/12 of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leave for employees who have rendered at least five (5) years of service and have reach the age of 60 at the time of retirement. Annually, the Group assesses the sufficiency of the recorded retirement liability. Any increase or decline thereto is adjusted in the consolidated statement of financial position.

Borrowing Costs

Borrowing costs are generally expense as incurred. Borrowing costs are capitalized if they are attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use.

Income Taxes

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted at the end of reporting period.

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

Under the balance sheet 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 carry forward 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 is to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated statements of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

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.

Related Party Transactions

Related party relationships exist when one party has the ability to control directly or indirectly through one or more of the intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting entity and its key management personnel, directors or its shareholders. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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

Provisions

Provisions are recognized when present obligation 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 commitment that has resulted from past events, for example legal disputes for onerous contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at end of reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. 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 obligation as a whole. In addition, long term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at each end of reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources 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 statement.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent asset, hence, are not recognized in the financial statements.

Contingencies

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

Events after End of reporting period

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

Earnings (loss) Per Share

Basic earnings per share is computed by dividing profit for the period by the weighted average number of shares issued and outstanding during the year.

4. Changes in Accounting Standards

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2018

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2018.

Amendments to PFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

The amendments are intended to clarify following:

- Accounting for cash-settled share-based payment transactions that include a performance condition;
- Classification of share-based payment transactions with net settlement features; and
- Accounting for modifications of share-based payment transactions from cash-settled to equity settled

They are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted.

The adoption of this amendment did not result in any impact on the financial statements since the Company has no share-based payment transactions.

PFRS 9, *Financial Instruments*

PFRS 9 *Financial Instruments,* which replaces PAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9, brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company chose not to restate comparative figures permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.

As of January 1, 2018, the Company has reviewed and assessed all of its existing financial assets. The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Company in its evaluation of the classification and measurement categories under PFRS 9 are discussed in Note 3.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no significant impact on the carrying amounts of the Parent Company's financial assets.

Further, there is no significant impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

Amendments to PFRS 4, *Insurance Contracts – Applying PFRS 9 'Financial Instrument' with PFRS 4 'Insurance Contracts'*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since there are no activities that are predominantly connected with insurance or issue insurance contracts.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 18, *Transfer of Assets from Customers* and SIC-31, Revenue - *Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

For sale of real estate, the Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer/buyer. The Company considers the stage of revenue recognition with reference to stage of completion, percentage of payment and ability of the buyer to complete the payment of contract price. Accordingly, the adoption of PFRS 15 has no significant impact in the timing of the Company's revenue recognition.

Amendments to PAS 40, *Investment Property – Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after July 1, 2018. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments did not result in any impact on the Company's financial statements.

Annual Improvements to PFRSs (2014-2016 cycle)

The Annual Improvements to PFRSs (2014-2016 cycle) are effective for annual periods beginning on or after January 1, 2018 and did not result in any material impact to the Company's financial statements. They include:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*
  The amendment deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1, because they have now served their intended purpose.

- PFRS 12, *Disclosure of Interests in Other Entities*
  The amendment clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.*

- PAS 28, *Investments in Associates and Joint Ventures*
  The amendment clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Philippine IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of this interpretation did not result in any significant impact on the financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2018
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2018 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Effective in 2019

PFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating lease or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for

most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective application, with options to use certain transition reliefs.

Annual Improvements to PFRSs (2015-2017 cycle)
The Annual Improvements to PFRSs (2015-2017 cycle) are effective for annual periods beginning on or after January 1, 2019 and will not have any material impact to the Company's financial statements. They include:

- PFRS 3, Business Combinations and PFRS 11, Joint Arrangements
The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PAS 12, Income Taxes
The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- PAS 23, Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
The amendments cover two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of PFRS 9, in particular some prepayable financial assets.

- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under PAS 39.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments will not have significant impact on the Parent Company's financial statements.

Deferred

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

5. Management's Significant Accounting Judgments and Estimates

The Company makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments 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.

(i) Judgments
The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.
Determination of functional currency
The Company has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the Company operates.

Classification of leases
Judgment is exercise in determining whether substantially all the significant risk and rewards of ownership of the leased asset is transferred to the Company. Leases where the lessor transfer all the risk and rewards incidental to the ownership of the leased asset are taken up as finance leases. Leases where the lessor retains all the risk and rewards to assets are taken up as operating leases.

Impairment of financial assets
The company follows the guidance of PAS 39 on determining when the investment is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ii) Estimates
The key assumptions concerning the future and other key sources of estimation of uncertainty at end of reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Determination of fair value of investment property
The Company has adopted the fair value model in determining the carrying value of its investment properties. The Company has obtained the services of an independent appraiser to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustment to reflect any changes in economic conditions since the date of the transaction that occurred on those prices.

Estimating Allowance for probable losses on receivables
The Company estimates the allowance for probable losses related to its trade receivable based on assessment of specific accounts when the Company has information that certain customers are unable to meet their financial obligation. In these cases, management uses the best available facts and circumstances including but not limited to third party credit reports and known market factors.

Estimated Useful Lives of Property and Equipment
The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

The company has no property and equipment as of December 31, 2018 and 2017.

Deferred tax assets
The Company reviews the carrying amounts of deferred tax asset at each end of reporting period and reduces the deferred tax asset 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.

Estimating Retirement Benefits
The determination of the Company's obligation and cost for retirement and other retirement benefits which is based on RA 7641 is dependent on the length of stay of the qualifying employees and reaching the age of 60 upon retirement. Annually, retirement benefits are computed based on existing employees and there is no assurance that the employee will still be with the Company at the age of retirement.

Impairment of non-financial asset
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.

6. Fair Value Measurement

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable price exists.
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statements of income unless it qualifies for recognition as some other type of asset.

The following table presents the summary of the Company's financial assets and liabilities recognized in the Statements of Financial Position as of December 31, 2018 and 2017.

	2018 Carrying Value	2018 Fair Value	2017 Carrying Value	2017 Fair Value
Financial assets				
Cash in bank	**P10,502**	**P10,502**	P51,502	P51,502
Financial liabilities				
Payable to related party	**P14,496,123**	**P14,496,123**	P14,409,447	P14,409,447

Due to short-term nature of transactions, fair values approximates the carrying amounts at initial recognition.

7. Financial Risk Management

Financial Risk Management Objectives and Policies

The main purpose of the Company's principal financial instruments is to fund its operational and capital expenditures. The Company's risk management is coordinated and in close operation with the Board of Directors, and focuses on actively securing the Company's short to medium term cash flows by minimizing the exposure to financial markets.

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company.

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

Credit risk

The table below shows the maximum exposure to credit risk for the components of the 2018 and 2017 balance sheet. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	Gross maximum exposure	
	2018	2017
Cash in bank	**P11,502**	P51,502

The Company's credit risk is primarily attributable to its trade receivables. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

Credit risk is the risk that one party to a financial instrument will fail to discharge and obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Receivable balances if any, are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

As of balance sheet date, there were no significant concentrations of credit risk.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counter party failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows and a balance between continuity of funding and flexibility through the use of short-term debt and advances from related parties.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2018 and 2017 based on contractual undiscounted payments.

2018	**On demand**	**Due within 2 months**	**Due between 2-3 months**	**No definite call**	**Total**
Payable to related party	**P-**	**P-**	**P-**	**14,496,123**	**P14,496,123**

2017	On demand	Due within 2 months	Due between 2-3 months	No definite call	Total
Payable to related party	-	-	P-	P14,409,447	P14,409,447

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company ma, issue new shares, or sell assets to reduce debt.

The capital structure of the Company consists of issued capital, and deficit.

During the year ended, the company had a net income pt P11 million in 2018 and loss of P84 thousand 2017. To address its financing requirements the company will seek sale of investment properties but the outcome of these matters cannot be predicted at this time.

The financial ratio at the year-end, which is within the acceptable range of the Company, is as follows:

	2018	2017
Equity	**P6,261,131**	(P5,076,813)
Total Assets	**25,637,541**	9,332,634
Ratio	**0.24**	(0.54)

8. Cash in bank

Cash in bank earn interest at the prevailing bank deposit rates. There are no cash equivalents as of the end of the period.

9. Other Non-current assets

The composition of this account as of December 31 is as follows:

		2018		2017
Input taxes	**P**	**81,088**	P	81,088
Pre-paid expenses		**54,950**		-
	P	**136,038**	P	81,088

10. Investment Property

The composition of this account as of December 31 is as follows:

		2018		2017
Land	**P**	**9,510,000**	P	3,022,500
Townhouses		**15,991,001**		6,177,544
	P	**25,501,001**	P	9,200,044

Investment properties consist of land and townhouses. The movement of this account is as follows:

		2018		2017
Balance at the beginning of the year	**P**	**9,200,044**	P	9,200,044
Change in fair value arising from appraisal		**16,300,957**		-
	P	**25,501,001**	P	9,200,044

On April 2, 2018 investment properties located at Riverside Village, Pasig City were re-appraised to properly reflect its fair market value. The appraisal resulted to an increase in value of investment amounting to P25.65 million. The fair market value of the townhouses was arrived using the Market approach. In this approach, the value of the townhouse units was based on sales and listings of comparable property registered within vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by establishing the differences between the subject property and those actual sales and listings regarded as comparable.

11. Payable to related parties

This account consist of the following:

		2018		2017
ATN Holdings, Inc.	**P**	**10,768,677**	P	10,768,677
Palladian Land Dev. Inc.		**938,715**		878,715
Stockholders		**2,788,731**		2,762,055
	P	**14,496,123**	P	14,409,447

Payable to related parties are non-interest bearing advances which consist of advances for various expenses incurred and for meeting extra ordinary financial obligation. These advances have no definite call period.

12. Share Capital

The company's authorized, subscribed and paid-up capital consist of:

	2018		2016	
	No. of shares	**Amount**	No. of shares	Amount
Authorized-P100 par value	**20,000**	**P2,000,000**	20,000	P2,000,000
Subscribed and paid-up	**20,000**	**P2,000,000**	20,000	P2,000,000

13. Retained Earnings

This account consist of:

	2018	2017
Balance, January 1	**(7,076,811)**	(6,992,535)
Add: Net income for the period	**11,337,944**	(84,276)
	P 4,261,133	(7,076,811)

14. Revenues

The company has no commercial operations as at December 31, 2018 and 2017.

15. Expenses

This account consist of:

		2018		2017
Taxes and licenses	**P**	**57,986**	P	65,925
Miscellaneous		**15,749**		18,409
	P	**73,735**	P	84,334

16. Income Tax expense

The company has no income tax due for the years ended December 31, 2018 and 2017.

The component deferred tax liability is as follows:

	2018		2017
Unrealized gain on fair value adjustment of investment property	**P 4,890,287**	P	-
	P 4,890,287	P	-

The Company did not recognize any deferred tax assets as of December 31, 2018 on impairment losses and net loss carry over (NOLCO) since it does not expect to have sufficient profit against which the deferred tax assets can be utilized.

17. Earnings per Share

The Company's earnings per share for the period ended December 31, 2018 and 2017 are computed as follows:

	2018	2017
Net income (loss) for the year	**P11,337,944**	P(84,276)
Number of shares issued and outstanding	**2,000,000**	2,000,000
EARNINGS PER SHARE	**5.67**	n/a

The Company considers its equity contributed by shareholders as capital.

	Amount
Share Capital	2,000,000
Total	2,000,000

18. Other Internal Revenue Matters

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

VAT Output tax

The company has no revenue for the years ended December 31, 2018 and 2017, thus there were no output taxes.

	2018	2017
Other taxes and licenses		
Local:		
Real estate tax	**P57,486**	**P65,425**
National:		
BIR annual registration	**500**	**500**
	P57,986	**P69,925**

Withholding taxes paid/accrued for the year:

There were no withholding taxes on compensation and final withholding taxes during the year.

The company paid a creditable withholding tax of P750 for year 2018.

Deficiency tax assessments and tax cases

The company has no existing deficiency tax assessments as of December 31, 2018.

MANAGED CARE PHIL., INC.

FINANCIAL STATEMENTS
December 31, 2018 AND 2017

REPORT OF INDEPENDENT AUDITOR

Board of Directors and Stockholders
Managed Care Phil., Inc.
9F Summit One Tower, 530 Shaw Blvd.
Mandaluyong City

Opinion

I have audited the accompanying financial statements of **Managed Care Phil., Inc.** which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

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

Basis for Opinion

I conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am 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 my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 reasonabless 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 7
RDO 41 MANDALUYONG CITY
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I communicate with those charged with the 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 I identity' during my audit.

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

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Celinia H. Faelmoca

Celinia H. Faelmoca
CPA License No. 0062399
PRC ID expires on October 21, 2020
PTR No. 10877591, February 22, 2019, Province of Rizal
TIN No. 105-992-754
BOA Certificate of Accreditation No. 3454
Valid until October 21, 2021
BIR Accreditation No. 07-001072-002-2016
Valid until September 20, 2019

March 26, 2019
38 Lancia St. Village East
Cainta, Rizal

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REVENUE REGION NO. 7
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APR 0 8 2019

MANAGED CARE PHIL., INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	Notes	2018	2017
ASSETS			
Current Assets			
Cash in banks	8	P **222,166**	P 1,763,046
Other current assets	9	**116,048**	164,844
		338,214	1,927,890
Noncurrent Assets			
Property and equipment	10	**12,676,258**	15,893,266
Intangibles	11	**-**	350,000
Deferred tax assets	19	**65,820**	65,820
		12,742,078	16,309,086
		P 13,080,292	**P 18,236,976**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12	P **9,520**	P 387,575
Noncurrent Liabilities			
Payable to related party	13	**12,966,447**	13,570,312
Pension liability	14	**219,401**	219,401
		13,185,848	13,789,713
Total Liabilities		**13,195,368**	14,177,288
Equity			
Share capital	15	**25,000,000**	**25,000,000**
Deficit	16	**(25,115,076)**	**(20,940,312)**
		(115,076)	4,059,688
		P 13,080,292	**P 18,236,976**

See Notes to Financial Statements

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 7
RDO 41 MANDALUYONG CITY
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RIZA S. AGUSTIN

MANAGED CARE PHIL., INC.

STATEMENT OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2018 AND 2017

		2018		2017
REVENUES		**P -**	P	2,011,419
DIRECT COST	17	-		4,157,508
GROSS INCOME		-		(2,146,089)
OTHER INCOME				
Reversal of retirement liability		-		237,542
Interest income		**1,044**		6,011
TOTAL		**1,044**		(1,902,536)
NON-OPERATING EXPENSES	18	**4,175,808**		2,774,882
PROFIT (LOSS) BEFORE INCOME TAX		**(4,174,764)**		(4,677,418)
INCOME TAX EXPENSE	19	-		71,263
NET INCOME (LOSS)		**P (4,174,764)**	P	(4,748,681)
EARNINGS PER SHARE	20	**P (0.167)**	P	(0.190)

See Notes to Financial Statements

MANAGED CARE PHIL., INC.

STATEMENT OF CHANGES IN EQUITY

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Share Capital	**P 25,000,000**	P 25,000,000
Deficit		
Deficit at beginning of year	**(20,940,312)**	(16,191,631)
Net income (loss) for the period	**(4,174,764)**	(4,748,681)
Deficit at end of year	**(25,115,076)**	(20,940,312)
	P (115,076)	P 4,059,688

See Notes to Financial Statements

MANAGED CARE PHIL., INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**P (4,174,764)**	P (4,748,681)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	**3,567,008**	4,197,445
Provision (reversal) of pension liability	**-**	(166,279)
Interest income	**1,044**	6,011
Decrease (Increase) in:		
Receivable	**-**	750,065
Other current assets	**48,796**	28,504
Increase (Decrease) in:		
Accounts payable and accrued expenses	**(378,055)**	(1,256,235)
	(935,971)	(1,189,170)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (Decrease) in payable to related party	**(603,865)**	(1,062,389)
Decrease (Increase) in property and equipment	**-**	(207,643)
Interest received	**(1,044)**	(6,011)
	(604,909)	(1,276,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
	-	-
NET INCREASE/(DECREASE) IN CASH	**(1,540,880)**	**(2,465,213)**
CASH BEGINNING OF YEAR	**1,763,046**	4,228,259
CASH END OF YEAR	**P 222,166**	**P 1,763,046**

See Notes to Financial Statements

MANAGED CARE PHIL., INC.
Notes to Financial Statements
December 31, 2018 and 2017

1. Corporate Information

The company (Managed Care Phil., Inc.) was incorporated on April 7, 1998. Its primary purpose is to establish, maintain, adopt, operate, manage and engage in the business of developing and promoting prepaid medical, health maintenance and related services like clinics, laboratories, pharmacies, research centers, hospitals and emergency facilities for the treatment, care and relief of the sick, injured or otherwise infirm persons including indigent patients including the care and treatment of maternity cases, with the aim of providing and offering to the public, a comprehensive, systematic and prevention-oriented concept of medical and health maintenance programs.

The Company's office address is 9F Summit One Tower, 530 Shaw Boulevard, Mandaluyong City.

The accompanying financial statements were authorized for issue in accordance with the resolution by the Board of Directors on March 26, 2019.

2. Basis of Preparation and Presentation

Basis of Preparation

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Philippine Pesos, which is the Company's functional currency. All values represent absolute amount except as otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

For the year ended December 31, 2018, the company has no commercial operation but it plans to re-brand itself into collaborating with leading hospitals in the country. The financial statement do not include any adjustment that might result from this uncertainty.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

Current versus non-current classification

The company presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

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

The company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the reporting period; or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The company classifies all other liabilities as non-current.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Financial Instruments

Date of Recognition

Financial assets and financial liabilities are recognized in the consolidated statements of financial position of the Group when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss, the initial measurement of financial instruments includes transaction costs.

Determination of Fair Value

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instruments or based on a valuation technique, the Group recognizes the difference between the transaction price and fair value in the consolidated statements of income unless it qualifies for recognition as some other type of asset.

Classification of Financial Instruments

The company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The company's financial instruments are of the nature of receivables, and other financial liabilities.

AFS financial assets

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the consolidated statements of financial position. Changes in the fair value are recognized directly in equity account as "Unrealized gain on AFS financial assets". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in consolidated statement of income.

Included under this category are shares of stock of publicly listed companies.

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 Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables

are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are the Company's cash and other receivables.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statements of comprehensive income.

Included under this category are accounts payable and accrued expenses.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statements of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment

Financial Assets
The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

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, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party;
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

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

Financial Liabilities

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

Other Current Assets

Other current assets include security deposits and prepaid expenses. Other current assets are carried at original amounts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. 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, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their

cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.
Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Medical equipment and fixtures	15
Office furniture and fixtures	10
Leasehold improvements	3-13 or lease term whichever is shorter
Transportation equipment	5

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.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting period.

An item of property and equipment 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 consolidated statements of income in the year the item is derecognized.

Intangible Asset
The Company's portal and enterprise system is carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization is computed based on the aggregate predicted life of 15-20 years from the date of launch.

Accounts Payable and Accrued Expenses
Accounts payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts payable are non-interest bearing and are stated at their original invoice amount since the effect of discounting is immaterial.
Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

Payable to Related Parties
Payable to related parties are non-interest bearing borrowings. These are measured at their original amounts and have no fixed repayment period.

Equity
Share capital is determined using the par value of shares that have been issued and fully paid.

Retained earnings include all current and prior period results of operations as disclosed in the consolidated statements of comprehensive income.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses that are not recognized in the profit or loss for the year in accordance with PFRS.

The company has no comprehensive income for the periods ending December 31, 2018 and 2017.

Revenue and Cost Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Interest – interest income from bank deposits is recognized as interest accrues taking into account the effective yield on the related asset.

(ii) Sales of services – revenue are recognized upon rendering of services or completion of services made.

(iii) Dividends - dividends are recognized in the period in which they are declared.

Cost and expenses are recognized in the statements of income upon utilization of the assets or services or at the date they are incurred. Interest expense is reported on accrual basis.

Retirement Benefit Cost

The company accrues retirement expense based on the provision of the Retirement Pay Law (R.A. 7641). The RA requires that employers with no formal retirement plan or agreement providing for retirement benefits shall provide for retirement pay equivalent to at least 15 days plus 1/12 of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leave for employees who have rendered at least five (5) years of service and have reach the age of 60 at the time of retirement. Annually, the company assesses the sufficiency of the recorded retirement liability. Any increase or decline thereto is adjusted in the Statement of Financial Position.

Borrowing Costs

Borrowing costs if any, are generally expense as incurred. Borrowing costs are capitalized if they are attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use.

Income Taxes

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted at the end of reporting period.

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

Under the balance sheet 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 carry forward 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 is to be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated statements of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Provisions
Provisions are recognized when present obligation 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 commitment that has resulted from past events, for example legal disputes for onerous contract.

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. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. 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 obligation as a whole. In addition, long term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Earnings (Loss) Per Share
Earnings (Loss) per share are determined by dividing the profit for the year by the weighted average number of common shares outstanding during the fiscal year.

Related Party Transactions and Relationships
Related party relationships exist when one party has the ability to control directly or indirectly through one or more of the intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting entity and its key management personnel, directors or its shareholders. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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

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

4. Changes in Accounting Standards

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2018
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2018.

Amendments to PFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

The amendments are intended to clarify following:

- Accounting for cash-settled share-based payment transactions that include a performance condition;
- Classification of share-based payment transactions with net settlement features; and
- Accounting for modifications of share-based payment transactions from cash-settled to equity settled

They are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted.

The adoption of this amendment did not result in any impact on the financial statements since the Company has no share-based payment transactions.

PFRS 9, *Financial Instruments*

PFRS 9 *Financial Instruments,* which replaces PAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9, brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company chose not to restate comparative figures permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.

As of January 1, 2018, the Company has reviewed and assessed all of its existing financial assets. The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Company in its evaluation of the classification and measurement categories under PFRS 9 are discussed in Note 3.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no significant impact on the carrying amounts of the Parent Company's financial assets.

Further, there is no significant impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

Amendments to PFRS 4, *Insurance Contracts – Applying PFRS 9 'Financial Instrument' with PFRS 4 'Insurance Contracts'*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued.

On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since there are no activities that are predominantly connected with insurance or issue insurance contracts.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 18, *Transfer of Assets from Customers* and SIC-31, Revenue - *Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

For sale of real estate, the Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer/buyer. The Company considers the stage of revenue recognition with reference to stage of completion, percentage of payment and ability of the buyer to complete the payment of contract price. Accordingly, the adoption of PFRS 15 has no significant impact in the timing of the Company's revenue recognition.

Amendments to PAS 40, *Investment Property – Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after July 1, 2018. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments did not result in any impact on the Company's financial statements.

Annual Improvements to PFRSs (2014-2016 cycle)
The Annual Improvements to PFRSs (2014-2016 cycle) are effective for annual periods beginning on or after January 1, 2018 and did not result in any material impact to the Company's financial statements. They include:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*

The amendment deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1, because they have now served their intended purpose.

- PFRS 12, *Disclosure of Interests in Other Entities*

The amendment clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or

as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.*

- PAS 28, *Investments in Associates and Joint Ventures*

The amendment clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Philippine IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of this interpretation did not result in any significant impact on the financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2018
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2018 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Effective in 2019

PFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating lease or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective application, with options to use certain transition reliefs.

Annual Improvements to PFRSs (2015-2017 cycle)
The Annual Improvements to PFRSs (2015-2017 cycle) are effective for annual periods beginning on or after January 1, 2019 and will not have any material impact to the Company's financial statements. They include:

- PFRS 3, Business Combinations and PFRS 11, Joint Arrangements
  The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PAS 12, Income Taxes
  The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- PAS 23, Borrowing Costs
  The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
The amendments cover two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of PFRS 9, in particular some pre payable financial assets.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under PAS 39.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments will not have significant impact on the Parent Company's financial statements.

Deferred

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

5. Management's Significant Accounting Judgments and Estimates

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about

varying values of assets and liabilities that are not readily apparent from other sources. Although, these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

(i) Judgments
The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.

Determination of functional currency
The company has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the company operates.

Classification of financial assets
In classifying its financial assets, the company follows the guidance of PAS 39. In making the judgment, the company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

Provision and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

(ii) Estimates
The key assumptions concerning the future and other key sources of estimation of uncertainty at end of reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Determination of fair value of assets and liabilities
The Company measures fair value of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair value determination is discussed below.

Level 1
Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. An asset or liability is regarded as quoted in an active market 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.

Level 2
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Estimation of allowance for impairment losses on receivables
The company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible accounts. The level of allowance for impairment losses is evaluated by management on the basis of factors affecting collectability of the receivables. In addition, a review of the accounts designed to identify accounts to be provided with allowance, is made on a continuing basis.

Determination of fair value of assets and liabilities
The fair value of assets and liabilities were determined in a manner disclosed in Note 6.

Estimated useful lives of property and equipment
The company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future

results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

Property and equipment, net of accumulated depreciation and impairment losses, amounted to P15.893 million and P19.533 million as of December 31, 2017 and 2016, respectively.

6. Fair Value Measurement

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable price exists.
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Group recognizes the difference between the transaction price and the fair value in the consolidated statements of income unless it qualifies for recognition as some other type of asset.

The company measures fair value of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The table below analyzes assets and liabilities at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**222,166**	**-**	**-**	**222,166**
Other current assets	**116,048**			**116,048**
Accounts payable and accrued expenses		**(9,520)**		**(9,520)**
Payable to related party	**(12,966,447)**			**(12,966,447)**

2017	Level 1	Level 2	Level 3	Total
Cash	1,763,046	-	-	1,763,046
Receivables		-		-
Other current assets	164,844			164,844
Advances to related party	-			-
Accounts payable and accrued expenses		(387,575)		(387,575)
Payable to related party	(13,570,313)			(13,570,313)

Due to the nature of these financial instruments, their fair values approximate the carrying amounts as of balance sheet date.

7. Financial Instruments, Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, and market risk. Risk management policies are summarized below.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Group is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

The Company manages its liquidity profile to: a) ensure that adequate funding is available at all times; b) meet commitments as they arise without incurring unnecessary costs; c) be able to access funding when needed at the least possible cost.

Funding is principally sourced through advances or collection of advances to related parties.

As of December 31, 2018 and 2017, accounts payable and accrued expenses have maximum maturities of less than 1 year. Advances from related parties do not have fixed repayment period but management believes that settlement is expected after 12 months but not more than 5 years.

Credit risk

Credit risk is risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The table below shows the gross maximum exposure to credit risk of the company as of December 31, 2017 and 2016. Net maximum exposure is the effect after considering collaterals and other credit enhancements.

	Gross maximum exposure	
	2018	2017
Cash in bank	**P 222,166**	P 1,763,046

Credit quality of the Company's assets as of December 31, 2018 and 2017 is as follows:

	Neither past due nor impaired		**Past due**	**Past due**	
	High	**Standard**	**but not**	**and**	
2018	**Grade**	**grade**	**impaired**	**impaired**	**Total**
Cash in bank	**P 222,166**	**-**	**-**	**-**	**P 222,166**

	Neither past due nor impaired		Past due	Past due	
	High	Standard	but not	and	
2017	Grade	grade	impaired	impaired	Total
Cash in bank	P 1,763,046	-	-	-	P 1,763,046

Financial assets were graded as follows:

High grade cash in bank are short-term placements placed, invested, or deposited in banks belonging to the top banks in the Philippines in terms of resources and profitability.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Market Risk
Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk represents what the company would loss from price from volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

Capital management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The capital structure of the Company consists of issued capital and retained earnings.

The financial ratio at the year-end, which is within the acceptable range of the Company, is as follows:

	2018	2017
Equity	**(115,076)**	P 4,059,688
Total assets	**13,080,292**	18,236,976
Ratio	**(0.01)**	0.37

8. Cash in banks

The composition of this account as of December 31 is as follows:

		2018		2017
Cash in banks	**P**	**222,166**	P	1,760,046
Cash on hand		**-**		3,000
	P	**222,166**	P	1,763,046

Cash accounts with the banks generally earn interest at rates based on prevailing bank deposit rates.

9. Other current assets

The composition of this account as of December 31 is as follows:

		2018		2017
VAT Inputs	**P**	**116,048**	P	76,735
Security deposits		**-**		88,109
	P	**116,048**	P	164,844

10. Property and equipment

The movements in this account as of December 31 are as follows:

2018 Kind of Property	Medical Equipment	Office furniture and fixtures	Transportation Equipment	Leasehold Improvements	Total
Cost	P 34,937,452	P 5,208,509	P 2,641,072	P 12,005,545	P 54,792,578
Accumulated depreciation and amortizations					
Balance at beg of year	21,896,231	5,208,509	1,593,723	10,200,848	38,899,311
Depreciation for the year	1,805,763	-	269,080	1,142,166	3,217,009
Balance at end of year	23,701,994	5,208,509	1,862,803	11,343,014	42,116,320
Book Value	P 11,235,458	P -	P 778,269	P 662,531	P 12,676,258

2017 Kind of Property	Medical Equipment	Office furniture and fixtures	Transportation Equipment	Leasehold Improvements	Total
Cost	P 34,729,809	P 5,208,509	P 2,641,072	P 12,005,545	P 54,584,935
Additions	207,643				207,643
	34,937,452	5,208,509	2,641,072	12,005,545	54,792,578
Accumulated depreciation and amortizations					
Balance at beg of year	20,090,468	4,578,073	1,324,643	9,058,682	35,051,866
Depreciation for the year	1,805,763	630,436	269,080	1,142,166	3,847,445
Balance at end of year	21,896,231	5,208,509	1,593,723	10,200,848	38,899,311
Book Value	P 13,041,221	-	P 1,047,349	P 1,804,697	P 15,893,267

11. Intangible assets

The movement in intangible assets follows:

		2018		2017
Cost	**P**	**5,000,000**	P	5,000,000
Accumulated amortizations				
Balance at beginning of year		**4,650,000**		4,300,000
Provisions		**350,000**		350,000
Balance at end of year		5,000,000		4,650,000
Net book value as at December 31	**P**	**-**	P	350,000

12. Accounts payable and accrued expenses

This account consists of:

		2018		2017
Trade	**P**	**-**	P	375,115
Accrued expenses		**9,520**		12,460
	P	**9,520**	P	387,575

13. Related party transactions

The following are transactions with related parties during the year:

	Transaction	Amount	Year-end balances	Terms	Conditions
Advances from related parties					
ATN Holdings, Inc.					
2018	Payment of advances	-	6,942,328	no payment terms	Unsecured no impairment
2017			6,942,328	no payment terms	Unsecured no impairment
Shareholders					
2018	Payment of advances	(603,866)	6,024,118	no payment terms	Unsecured no impairment
2017			6,627,984	no payment terms	Unsecured no impairment
Total advances to related party					
2018			12,966,446		
2017			13,570,312		

Key management personnel do not derive compensation from the Company.

14. Pension Liability

Retirement benefit cost recognized in the financial statements computed under RA 7641 amounted to P388,891 in 2014 and P138,118 in 2013. Management believes that retirement benefits accrued under RA 7641 does not materially differ from that of PAS 19.

		2018		2017
Balance, January 1	**P**	**219,401**	P	219,401

15. Share Capital

The company's authorized, subscribed and paid-up capital consists of:

	2018		2017	
	No. of shares	**Amount**	No. of shares	Amount
Authorized-P1.00 par value	**100,000,000**	**P100,000,000**	100,000,000	P100,000,000
Subscribed and paid-up	**25,000,000**	**P25,000,000**	25,000,000	P25,000,000

16. Deficit

This account consists of:

		2018		2017
Balance, January 1	**P**	**20,940,312**	P	16,191,631
Add: Loss for the period		**4,174,764**		4,748,681
	P	**25,115,076**	P	20,940,312

17. Direct Cost

This account consists of:

		2018		2017
Depreciation and amortization	P	-	P	1,805,763
Rent		-		1,000,326
Utilities, dues and communication		-		808,829
Medical supplies		-		271,337
Salaries, wages and other benefits		-		200,254
Retainers' fee		-		71,000
Contractual services		-		-
	P	-	P	4,157,509

18. Non-operating expenses

This account consists of:

		2018		2017
Depreciation and amortization	P	3,567,009	P	2,391,682
Rent		299,728		-
Salaries, wages and other benefits		219,258		205,766
Utilities, dues and communication		36,390		15,336
Professional fees		20,000		-
Office supplies		17,753		34,550
Miscellaneous		9,001		9,200
Transportation		6,169		77,685
Taxes and licenses		500		40,663
	P	4,175,808	P	2,774,882

19. Income Taxes

Components of income tax reported in the statements of income are as follows:

	2018		2017
Deferred	-	P	71,263

The component of the Company's deferred tax assets is as follows:

		2018		2017
Pension liability	P	219,401	P	219,401

20. Earnings Per Share

The Company's earnings per share for the period ended December 31, 2018 and 2017 are computed as follows:

	2018	2017
Net income (loss) for during the year	(4,174,764)	(4,748,681)
Number of shares issued and outstanding	25,000,000	25,000,000
EARNINGS PER SHARE	(0.17)	(0.19)

21. Other significant matters

Contingencies

In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management,

liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

22. Other Internal Revenue Matters

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2018:

VAT Output taxes		
Amount	P	-
Gross revenue subject to VAT		-
VAT input taxes		
Amount		40,313
Domestic purchased of goods and services		335,945
Other taxes, licenses and fees		
Local		
Business permit		-
National		
Annual registration		500
Withholding taxes		
Tax on compensation and benefits		-
Creditable withholding taxes		15,986

Deficiency tax assessments and tax cases

The company has no existing deficiency tax assessments.

Supplementary information required under RR 19-2011

Details of non-operating expenses for income tax purposes are as follows:

Depreciation and amortization	P	3,567,009
Rent		299,728
Salaries, wages and other benefits		219,258
Utilities, dues and communication		36,390
Professional fees		20,000
Office supplies		17,753
Miscellaneous		9,001
Transportation		6,169
Taxes and licenses		500
	P	4,175,808