

PRC-BOA Reg. No. 0132, valid until December 31, 2018
SEC Accreditation No.0220-FR-2, valid until March 27, 2020
BIR Accreditation No. 07-001080-002-2016, valid until October 3, 2019

Report of Independent Public Accountants

The Stockholders and Board of Directors
ATN HOLDINGS, INC.
9TH Floor, Summit One Tower,
530 Shaw Blvd., Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ATN HOLDINGS, INC.** (the Company), which comprise the Parent Company statements of financial position as at March 31, 2018 and 2017, and Parent Company statements of income, Parent Company statements of comprehensive income, Parent Company statements of changes in equity and Parent Company statements of cash flows for each of the three years in the period ended March 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

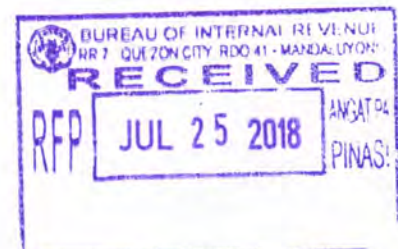
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended March 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended March 31, 2018, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2018 are expected to be made available to us after the date of auditor's report.



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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



R. R. Tan & Associates, CPAs

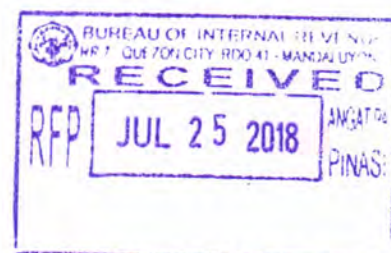
Unit 1705, Antel Global Corporate Center, Doña Julia Vargas Avenue, Ortigas Center, Pasig City 1605

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

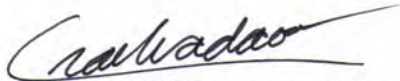


Report on the Supplementary Information Required Under Revenue Regulation (RR) 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 21 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 and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Chester Nimitz F. Salvador.

R. R. TAN AND ASSOCIATES, CPAs



By: **CHESTER NIMITZ F. SALVADOR**

Partner

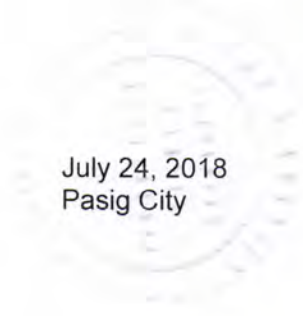
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Tax Identification No. 307-838-154

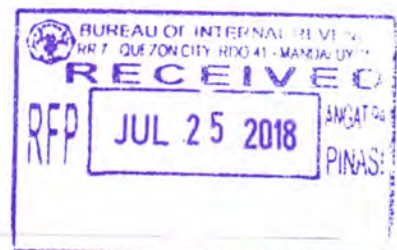
PTR No. 3897127, January 9, 2018, Pasig City

SEC Accreditation No. 1608-A, valid until January 26, 2020

BIR Accreditation No. 07-001050-002-2016, valid until
June 22, 2019



July 24, 2018
Pasig City



R. R. Tan & Associates, CPAs

Unit 1705, Antel Global Corporate Center, Doña Julia Vargas Avenue, Ortigas Center, Pasig City 1605

ATN HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

	Notes	2018	2017
ASSETS			
Current Assets			
Cash in bank	8	P 4,314,897	P 5,247,877
Other current asset	10	147,857	207,421
		4,462,754	5,455,298
Non-current assets held for sale	9, 20	19,347,749	19,347,749
		23,810,503	24,803,047
Non-current Assets			
Investments in:			
Available-for-sale securities	12	22,986,000	22,201,700
Subsidiaries and associates	11	558,425,000	563,425,000
Investment properties	13	57,732,960	40,687,940
Advances to related parties	17	29,889,588	51,193,067
Deferred tax asset	18	180,050	2,632,710
		669,213,598	680,140,417
TOTAL ASSETS		P 693,024,101	P 704,943,464
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	14	P 3,530,808	P 2,560,537
Non-current liabilities of non-current assets held for sale	9,20	15,068,006	14,158,181
		18,598,814	16,718,718
Non-current Liabilities			
Deposits	20	58,000	-
Subscription payable	11	80,195,240	156,943,700
Advances from related parties	17	89,208,365	50,185,273
Deferred tax liability	18	4,840,218	2,165,989
		174,301,823	209,294,962
TOTAL LIABILITIES		192,900,637	226,013,680
EQUITY			
Share capital	15	450,000,000	450,000,000
Additional paid-in capital		373,956	373,956
Unrealized loss on AFS securities - net of tax	15	(1,423,973)	(2,204,351)
Retained earnings - March 31		51,173,481	30,760,179
TOTAL EQUITY		500,123,464	478,929,784
TOTAL LIABILITIES AND EQUITY		P 693,024,101	P 704,943,464

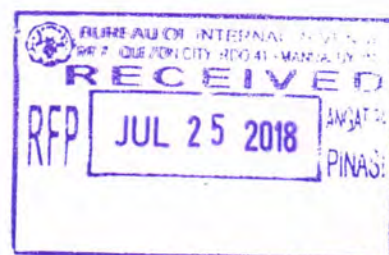
See accompanying Notes to Parent Company Financial Statements



ATN HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF INCOME
FOR THE FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

	Notes	2018	2017
REVENUES			
Fair value gain on investment properties	13	P 17,045,020 P	-
Gain on sale of investment in associate	11	10,000,000	-
Rental income	13	381,223	346,847
Real estate sales		-	714,286
Gain on sale of AFS investment	12	-	10,727,536
Other income		11,163	3,488
TOTAL REVENUES		27,437,406	11,792,157
COST AND EXPENSES			
Cost real estate sales		-	735,000
Administrative expenses	16	898,512	4,230,048
TOTAL COST AND EXPENSES		898,512	4,965,048
INCOME BEFORE INCOME TAX EXPENSE		26,538,894	6,827,109
INCOME TAX EXPENSE			
Current	18	1,002,624	6,523
Deferred	18	5,122,968	(180,050)
		6,125,592	(173,527)
INCOME FOR THE PERIOD		20,413,302	7,000,636
EARNINGS PER SHARE			
	19	0.0045	0.0016

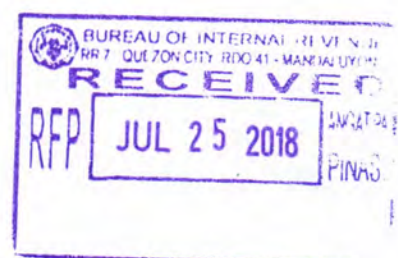
See accompanying Notes to Parent Company Financial Statements



ATN HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

	Note	2018		2017	
INCOME FOR THE PERIOD		P 20,413,302	P	7,000,636	
<i>Items to be reclassified to profit or loss in subsequent periods:</i>					
Fair value changes in available-for-sale financial assets - net of deferred income tax	15	780,378		61,978	
<i>Items reclassified to profit or loss during the year</i>					
Fair value changes in available-for-sale financial assets - net of deferred income tax	15	-		(10,616,931)	
TOTAL COMPREHENSIVE INCOME (LOSS)		P 21,193,680	P	(3,554,317)	

See accompanying Notes to Parent Company Financial Statements



ATN HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

	<i>Notes</i>	Share Capital		Additional Paid-in Capital		Unrealized gain (loss) on Available-for-sale financial assets - net of deferred income tax		Retained Earnings		Total
Balance at March 31, 2016	P	450,000,000	P	373,956	P	8,350,602	P	23,759,543	P	482,484,101
Changes in fair value of Available-for-sale investment	15	-		-		61,978		-		61,978
Changes in fair value of Available-for-sale investment reclassified to profit or loss	15	-		-		(10,616,931)		-		(10,616,931)
Income for the period		-		-		-		7,000,636		7,000,636
Balance at March 31, 2017	P	450,000,000	P	373,956	P	(2,204,351)	P	30,760,179	P	478,929,784
Changes in fair value of Available-for-sale investment	15	-		-		780,378		-		780,378
Income for the period		-		-		-		20,413,302		20,413,302
Balance at March 31, 2018	P	450,000,000	P	373,956	P	(1,423,973)	P	51,173,481	P	500,123,464

See accompanying Notes to Parent Company Financial Statements

ATN HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

	<i>Notes</i>	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		P 26,538,894	P 6,827,109
Adjustments for:			
Gain on sale of financial asset	12	-	(10,727,536)
Impairment loss on non-current assets held for sale	9	-	600,166
Gain on sale of investment in associate	11	(10,000,000)	-
Fair value gain on investment properties	13	(17,045,020)	-
Interest income		(11,163)	(3,488)
Operating Loss Before Working Capital Changes		(517,289)	(3,303,749)
(Increase) Decrease in other current asset		73,601	(46,705)
Increase (Decrease) in operating liabilities:			
Accounts payable and accrued expenses		(32,889)	158,081
Deposits		58,000	-
Cash provided by operations		(418,577)	(3,192,373)
Income taxes paid		(14,036)	(6,796)
Interest received		11,163	3,488
Net Cash Provided by Operating Activities		(421,450)	(3,195,681)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of stock subscription to associate	11	(76,748,460)	(40,400,000)
Disposal of non-current assets held for sale		-	735,000
Increase (Decrease) in non-current liabilities of non-current assets held for sale		909,825	655,647
Advances to related parties		(333,539)	-
Collection of advances to related parties		37,386,142	21,961,908
Net Cash Used in Investing Activities		(38,786,032)	(17,047,446)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related parties		38,274,502	24,150,882
Net cash Provided by Financing Activities		38,274,502	24,150,882
NET INCREASE (DECREASE) IN CASH		(932,980)	3,907,755
CASH AT BEGINNING OF YEAR		5,247,877	1,340,121
CASH AT END OF THE YEAR		P 4,314,897	P 5,247,877

See accompanying Notes to Parent Company Financial Statements

ATN HOLDINGS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

1. Corporate Information

ATN Holdings, Inc. (*ATN or the Parent or the Company*) was registered with the Securities and Exchange Commission (SEC) on February 12, 1969 under the name Jabpract Mining and Industrial Corporation. On March 14, 1996, Jabpract Mining and Industrial Corporation changed its corporate name to ATN Holdings, Inc. and its primary and secondary purposes were amended to enable it to perform the acts of a holding company. On November 10, 2016, the Company's articles of incorporation was amended extending its corporate life for another fifty (50) years from February 12, 2019. The amendment was approved by the SEC on November 21, 2016.

The common shares of ATN are listed and traded in the Philippine Stock Exchange. The registered office address of ATN is 9th Floor Summit One Tower Bldg., 530 Shaw Blvd., Mandaluyong City. ATN Holdings, Inc. has no ultimate Parent company.

The accompanying financial statements were authorized for issue by the President on July 24, 2018.

2. Basis of Preparation and Presentation

Basis of Financial Statements Preparation and Presentation

The accompanying financial statements of the Company have been prepared on a historical cost basis, except for 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 amount except as otherwise indicated.

These financial statements are prepared for the purpose of complying with the requirements of the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR).

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 for all the years presented, unless otherwise stated.

Current versus non-current classification

The Parent 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 Parent 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 Parent 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 which are subject to insignificant risk of changes in value.

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 from 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 statement 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 March 31, 2018 and 2017, the Company's financial instruments are of the nature of AFS, loans and 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 statements of financial position. Changes in the fair value are recognized directly in equity account as "Unrealized gain (loss) on AFS securities". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in statement of comprehensive 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 Company 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 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 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 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 statements of comprehensive 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.

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 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 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.

Non-current Assets Held for Sale

The Company classifies its non-current asset (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 asset (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 groups) and its sale must be highly probable.

The Company measures its non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

Input tax

Input tax represents 12% VAT input from purchases of goods and services. Input tax can be claimed against output tax in the subsequent month.

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 Company. 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 statement of comprehensive income in the year of retirement or disposal.

Investment in Associates and Subsidiaries

In this separate financial statements, the Company's investments in its associates and subsidiaries are accounted for using the cost method as allowed under PAS 27.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the investee from date of acquisition.

A parent controls an investee when it is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over that investee. Specifically, control is achieved if and only if the a parent company has all the following;

- (i) Power over the investee;
- (ii) Exposure rights, to variable returns from its involvement with the subsidiary; and
- (iii) The ability to use its power over the investee to affect the amount of the parent company's returns.

The Parent reassesses whether or not it controls a subsidiary if facts and circumstances indicates that there are changes to one or more of the three elements of control.

The Company derecognizes an investment only when the contractual rights to the cash flows from the assets expire, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of Non-Financial Assets

The Company's property and equipment, investment in associates and subsidiaries and investment property 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.

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.

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 (Deficit) include all current and prior period results of operations as disclosed in the statements of comprehensive income.

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.

Cost and expenses are recognized in the statements of comprehensive income upon utilization of the assets or services or at the date they are incurred.

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.

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 is determined by dividing the profit (loss) 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.

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

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial 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 April 1, 2017

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 April 1, 2017.

Amendments to PAS 7, Statement of Cash Flows

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments do not have any significant impact on the Company's financial statements.

Amendments to PAS 12, Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments do not have any impact on the Company's financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to March 31, 2018

The standards, amendments and interpretations which have been issued but not yet effective as at March 31, 2017 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 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 April 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.

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. They are effective for annual periods beginning on or after January 1, 2018.

PFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 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. Locally, the SEC adopted IFRS 9 or PFRS 9 on August 17, 2016.

For impairment assessment, the Company will apply the simplified approach and record lifetime expected losses on all receivables. The Company is still assessing the full impact of loss allowance based on PFRS 9. The Company does not have any hedging instrument transactions, hence, the hedge accounting of PFRS 9 will not affect the Company.

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.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

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 will not have 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.

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 are not expected to have any impact on the Company.

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 Company does not expect the adoption of this interpretation to have any significant impact on the financial statements.

Effective 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 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 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.

Determination of Control

The Company controls an entity if and only if the Company has (i) Power over the entity, (ii) Exposure or rights to variable returns from its involvement with the entity, and (iii) The ability to use its power over the entity to affect the amount of Company's returns.

The Company regularly reassesses whether it controls an investee, if facts and circumstances indicate that there are changes to one or more elements of controls above.

As of March 31, 2018 and 2017, the Company determined that it exercise control over its subsidiaries.

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. Financial assets classifications are disclosed in Note 3.

As of March 31, categories of financial assets include Investment in available for sale securities and Loans and receivable.

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. Accordingly, the condominium units and parking lots are classified as investment properties.

Operating leases – Company as lessor

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 P381,223 in 2018 and P346,847 in 2017.

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:

Estimating 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 available-for-sale financial assets

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.

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).

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:

1. 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;
2. 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
3. appraisal of independent qualified appraisers.

The Company's investment properties were appraised by an independent firm of appraisers which is an industry specialist in valuing these types of investment properties. The appraisal resulted into an increment amounting to P17.05 million. 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 P57.73 million and P40.68 million as of March 31, 2018 and 2017, respectively.

Impairment of investment in and advances to associates

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 Investment in and Advances to Associates as of March 31, 2018 and 2017 is as follows:

	2018			2017		
	Gross carrying amount	Allowance for impairment	Net carrying value	Gross carrying amount	Allowance for impairment	Net carrying value
Investments in:						
ATN Phils. Solar Energy Group, Inc.	P 331,425,000	P -	P 331,425,000	P 336,425,000	P -	P 336,425,000
Mariestad Mining Corporation (MMC)	7,000,000	7,000,000	-	7,000,000	7,000,000	-
	338,425,000	7,000,000	331,425,000	343,425,000	7,000,000	336,425,000
Advances to:						
Sierra Madre Consolidated Mines (SMCM)	7,450,000	7,450,000	-	7,450,000	7,450,000	-
	P 345,875,000	P 14,450,000	P 331,425,000	P 350,875,000	P 14,450,000	P 336,425,000

Recognition of Deferred tax asset

The Company reviews the carrying amounts of deferred tax assets at each reporting dates and reduces deferred tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred tax asset to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized.

The Company's deferred tax assets amounted to P180,050 and P2,632,710 in 2018 and 2017.

6. Fair Value Measurement

The fair value hierarchy of financial instruments measured at fair value is as follows:

	2018				2017			
	Carrying value	Fair value hierarchy			Carrying value	Fair value hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
AFS securities								
Listed	P 1,302,000	P 1,302,000	P -	P -	P 517,700	P 517,700	P -	P -
Unlisted	21,684,000	-	21,684,000	-	21,684,000	-	21,684,000	-
Investment properties	57,732,960	44,470,960	13,262,000	-	40,687,940	32,842,040	7,845,900	-

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 Company 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; and 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 March 31, 2018 and 2017, accounts payable and accrued expenses have maximum maturities of less than 1 year. "Deposits", "Subscription payable" and "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 statements of financial position (or in the detailed analysis provided in the notes to 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 March 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 4,314,897	P 5,247,877
Available-for-sale investments	22,986,000	22,201,700
Advances to related parties	37,339,588	58,643,067
	P 64,640,485	P 86,092,644

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

	Neither past due nor impaired		Past due <i>but not</i> impaired	Past due <i>and</i> impaired	Total
	High grade	Standard grade			
2018					
Cash in bank	P 4,314,897	P -	P -	P -	P 4,314,897
Available-for-sale investments	-	22,986,000	-	-	22,986,000
Advances to related parties:					
Stockholders and related companies	-	12,178,583	-	7,450,000	19,628,583
Subsidiaries	-	17,711,005	-	-	17,711,005
	P 4,314,897	P 52,875,588	P -	P 7,450,000	P 64,640,485

	Neither past due nor impaired		Past due <i>but not</i> impaired	Past due <i>and</i> impaired	Total
	High grade	Standard grade			
2017					
Cash in bank	P 5,247,877	P -	P -	P -	P 5,247,877
Available-for-sale investments	-	22,201,700	-	-	22,201,700
Advances to related parties:					
Stockholders and related companies	-	28,482,062	-	7,450,000	35,932,062
Subsidiaries	-	22,711,005	-	-	22,711,005
	P 5,247,877	P 73,394,767	P -	P 7,450,000	P 86,092,644

Financial assets were graded as follows:

High grade cash in bank are short-term placements and working cash fund 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 instrument 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 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.

The Company manages market risk by evenly distributing capital among investment instruments in different financial institution.

The Company is not exposed to currency risk and interest rate risk. Sensitivity analysis of price risk exposure follows:

Price risk

The Company's price risk exposure at year end relates to financial assets whose values will fluctuate as a result of changes in market price, principally, AFS financial assets.

Observed volatility rates of the fair values of Company's investments held at fair value and their impact on the Company's equity as at March 31, 2018 and 2017 is shown below:

% change in market values	Impact on equity	
	2018	2017
+2%	26,040	10,354
-2%	(26,040)	(10,354)

Changes in fair value of Available for sale investment are charged to equity and therefore do not affect profit and loss.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities.

No changes have been made in the objective, policies and processes as they have been applied in previous years.

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

	2018	2017
Equity	P 500,123,464	P 478,929,784
Total assets	693,024,101	704,943,464
Ratio	0.72	0.68

8. Cash in Bank

Cash in bank generally earns interest based on prevailing bank deposit rates. Cash in bank amounted to P4,314,897 and P5,247,877 as of March 31, 2018 and 2017, respectively.

9. Non-current Assets Held for Sale

In prior years, the Company entered into a contract to sell for the sale of its investment properties at a total contract price of P21.67 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.

The breakdown of this account as of March 31, 2018 and 2017 are as follows:

	2018	2017
Carrying value at the time of reclassification	19,347,749	19,947,915
Impairment loss recognized in profit or loss	-	600,166
	P 19,347,749	P 19,347,749

During 2017, the Company recognized impairment loss amounting to P600,166 after the assets were measured at lower of cost or fair value less cost to sell. The impairment loss is reported as part of administrative expenses in the Parent Company's statement of income.

Consistent with the reclassification of the investment properties, the related liabilities of the assets held for sale were also reclassified to current liabilities amounting to P15,068,006 and P14,158,181 as of March 31, 2018 and 2017, respectively. These liabilities comprise the payments made by the other party in the aforesaid contract to sell.

Management expects to record the sale of the above investment properties within the fiscal year ended March 31, 2019.

10. Other Current Asset

This account consists of the following:

	2018	2017
Input vat	P 141,680	P 207,421
Prepaid taxes	6,177	-
	P 147,857	P 207,421

This account represents input tax (VAT) arising from purchase of goods and services. Input VAT can be applied against the Company's output tax in the following month. Input VAT amounted to P141,680 and P207,421 as of March 31, 2018 and 2017, respectively.

11. Investments in Subsidiaries and Associates

This account consists of the following:

	2018	2017
Investments in subsidiaries	P 227,000,000	P 227,000,000
Investments in associates		
Balance, beginning	343,425,000	182,625,000
Subscription during the year	-	160,800,000
Disposal during the year	(5,000,000)	-
Balance, ending	338,425,000	343,425,000
Allowance for impairment losses	(7,000,000)	(7,000,000)
Total Investments in associates	331,425,000	336,425,000
Total investments in subsidiaries and associates	P 558,425,000	P 563,425,000

(i) Investment in subsidiaries

The details of this account as of March 31, 2018 and 2017 are as follows:

	% of ownership	Amount
Palladian Land Development, Inc. (PLDI)	100%	P 200,000,000
Managed Care Phils., Inc. (MCPI)	100%	25,000,000
Advanced Home Concept Development Corporation (AHCDC)	100%	2,000,000
		P 227,000,000

PLDI was incorporated 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.

MCPI was established on April 7, 1998, 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.

AHCDC was registered and incorporated with the 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.

All subsidiaries are incorporated and domiciled in the Philippines.

As of March 31, 2018 and 2017, the management believes that no provision for impairment loss on investment in subsidiaries is necessary.

(ii) *Investment in Associates*

This account consists of the following:

	2018	2017
Cost		
Beginning of the year		
ATN Phils. Solar Energy Group, Inc. (ATN Solar)	P 336,425,000	P 175,625,000
Mariestad Mining Corporation (MMC)	7,000,000	7,000,000
	343,425,000	182,625,000
Additions during the year (ATN Solar)	-	160,800,000
Disposal during the year (ATN Solar)	(5,000,000)	-
	338,425,000	343,425,000
Allowance for impairment losses	(7,000,000)	(7,000,000)
	P 331,425,000	P 336,425,000

ATN Solar

ATN Solar is a grantee of a 25-year Renewable Energy Contract (*service contract*) with the Department of Energy (DOE) under Republic Act 9513 (*the RA*). The service contract grants ATN Solar the exclusive right to explore develop and utilize the solar energy source within Rodriguez, Rizal, as its contract area. More specifically, the contract includes setting up a 30 MW Solar PV Project (*the Project*). The project is expected to generate a gross capacity of 33 MW peak of direct current and 30 MW of alternating current to be distributed within Metro Manila with projected revenue of P540 Million per year for the next 25 years.

The Project contains a 2-year pre-development stage and another 2 years for development stage, after which construction of power plants and connection to distribution network is to commence.

On March 14, 2017, the Company subscribed for additional 160,800,000 shares with a par value of P1 bringing the Company's equity interest to 48.05% from 46.77%. From the total subscription, P40.4 million have been paid in cash and the balance is reported as part of "Subscription payable" in the liabilities section of the statement of financial position.

On March 24, 2017, significant milestones have been successfully achieved by ATN Solar including a loan facility from a local lender for the purchase and installation of solar panels. Once it become operational, ATN Solar can sell electricity to power distributors of up to P6.10/kWh.

During 2018 and 2017, various payments were made for its share subscription from ATN Solar totaling to P76,748,460 and P40,400,000, respectively

As of March 31, 2018 and 2017, subscription payable has an outstanding balance of P80,195,240 and P156,943,700, respectively.

On December 5, 2017, the Parent Company sold 5 million shares of ATN Solar to Unipage Management, Inc. (UMI) with a carrying value of P1 per share subject to the following agreement by both parties:

- The Company assigns and transfer all its rights to UMI the 5 million shares of ATN Solar with the value of P3.00 per share.
- UMI shall pay the Company the amount of P15 million for the assignment of 5 million shares of ATN Philippine Solar Energy Group, Inc. upon execution of their agreement.

Following such disposal, the Company's ownership interest in ATN Solar was reduced to 47.35% in 2017. The Company recognized a gain on sale of its investment in ATN Solar amounting to P10 million in 2017.

The latest financial information of ATN Solar is as follows:

	December 31,	
	2017	2016
Total assets	P 900,000,006	P 737,566,592
Total liabilities	217,063,312	50,954,576
Net expenses	3,675,321	1,409,190
Cash flow from:		
Operating activities	(4,645,320)	(3,315,239)
Investing activities	(151,397,730)	(181,634,984)
Financing activities	167,608,735	167,932,509

ATN Solar's fiscal period is January 1 to December 31. As of December 31, 2017, ATN Solar has not commenced commercial operation and still in a pre-operating stage.

MMC

In 2007, the Company entered into an investment agreement with MMC to participate in the extraction of manganese ores in the former's mining site. The Company's participation is in the form of providing financial resources to undertake the mining operations. The Company has financed a total of P7 million that is equivalent to 25% equity interest in MMC. Due to the non-commencement of mining operation, the Company provided a full impairment loss on its investment in MMC. Furthermore, no financial information is available for MMC for the last 6 years.

12. Available-for-Sale Investments

Investment in AFS securities represents listed and unlisted shares of Transpacific Broadband Group International, Inc. (TBGI), a publicly listed company in the Philippine Stock Exchange. Fair value was determined through reference to published price quotations.

The reconciliation of the carrying amounts of this account at the beginning and end of the fiscal year is as follows:

	2018		2017	
Balance, April 1	P 22,201,700	P	42,037,122	P
Disposals	-		(19,798,222)	
Changes in fair value	784,300		(37,200)	
Impairment loss	-		-	
Balance, March 31	P 22,986,000	P	22,201,700	P

On March 15, 2017, the Company disposed its AFS investment in TBGI shares to Unipage Management, Inc. for P1.80 per share, totaling to P19,908,826, resulting to a gain on the sale of P10,727,536.

The breakdown of the shares of stocks is as follows:

	As of March 31, 2018		As of March 31, 2017	
	No. of shares	Carrying value	No. of shares	Carrying value
AFS Securities				
Listed	3,100,000	1,302,000	310,000	517,700
Unlisted	130,000,000	21,684,000	13,000,000	21,684,000
	133,100,000	22,986,000	13,310,000	22,201,700

In January 2018, TBGI had stock split up by changing its par value from P1.00 to P0.10. As a result of change in par value, the number of shares of ATN in TBGI increase from 13,310,000 shares to 133,100,000 shares.

Changes in fair value are reported separately in the statement of comprehensive income as "Unrealized gain on available-for-sale investments – net of deferred income tax".

13. Investment Properties

As of March 31, 2018 and 2017, this account consists of the following:

		2018		2017
Commercial condominium units	P	18,120,960	P	16,450,000
Residential units		6,962,000		5,145,900
Parking lots		26,350,000		16,392,040
Vacant lots		6,300,000		2,700,000
	P	57,732,960	P	40,687,940

On April 2, 2018*, certain investment properties were re-appraised to properly reflect its fair market value. The appraisal resulted to an increase in value of investment amounting to P17.05 million.

Condominium units and parking lots are located at Summit One Tower, Mandaluyong City. The fair market value of condominium units and parking lots is determined by a firm of independent appraiser using the Market Approach, a comparative approach valuation that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Accordingly, the Company categorized these condominium units and parking lots under Level 2 of the fair value hierarchy. Management believes that there are no present material factors that would significantly increase or decrease the fair value of these properties as of March 31, 2018.

Residential units and vacant lots are located at Riverside Village, Pasig City. The fair market value of residential units is determined by a firm of independent appraiser on April 2, 2018 based on analysis of prevailing land usage in the neighborhood and the property itself which represents the highest and best use of the property under Level 3 in the fair value hierarchy. The fair market value of vacant lots is determined by a firm of independent appraiser using the Market Approach, a comparative approach valuation that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

*Asian Appraisal Company Inc. certifies that the appraisal report can be used as of March 31, 2018

The description of valuation techniques and inputs used in determining the fair value of investment properties are classified as Level 2 and 3 in fair value hierarchy is as follows:

Location	Type	Valuation techniques	Significant observable inputs	Fair value hierarchy	Range	
Riverside Village	Residential and vacant lots	Market approach	Selling price (per square meter)	Level 3	P22,500 - P36,333	
			Size			5.0%
			Location			-5% to -10%
			Improvements			-25% to -35%
Summit One Tower	Parking lots	Market approach	Selling price (per square meter)	Level 2	P61,818 - P82,926	
			Size			5%
			Location			-5%
	Condominium units	Market approach	Selling price (per square meter)	Level 2	P61,864 - P64,937	
			Size			5%
			Location		-5%	
			Improvements		10% to 15%	

Rental income on investment properties amounted to P381,223 and P346,847 in 2018 and 2017, respectively. No direct operating costs were incurred on these investment properties in both 2018 and 2017.

Certain condominium units and parking lots were reclassified to *Non-current assets held for sale* in the year 2017. (see Note 9)

14. Accounts Payable and Accrued Expenses

This account consists of the following:

	2018	2017
Trade	P 519,022	P 456,933
Capital gains tax payable	2,985,000	1,990,000
Unearned rent income	26,786	26,786
VAT output	-	85,714
Income tax payable	-	1,104
	P 3,530,808	P 2,560,537

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

- Trade payables are non interest-bearing and are normally settled on a 90-day term;
- Unearned rent income represents advance rental payments on parking lot being leased out to a third party.
- Income tax payable is the annual income tax to be paid to the taxing authority, it is payable on or before the 15th day of the third month after the fiscal year end date.

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.

During 2017, the Company recognized a capital gains tax payable on the sale of listed shares amounting to P995,000. As of March 31, 2018 and 2017, capital gains tax payable amounted to P2,985,000.

15. Equity

Share capital

Component of share capital is as follows:

Title of issue	Authorized share capital		Subscribed and paid	
	Number of shares	Amount	Number of shares	Amount
Common				
Class A	4,200,000,000	P 420,000,000	3,700,000,000	P 370,000,000
Class B	2,800,000,000	280,000,000	800,000,000	80,000,000
Preferred	5,000,000,000	500,000,000	-	-
	12,000,000,000	P 1,200,000,000	4,500,000,000	P 450,000,000

In accordance with the Articles of Incorporation, certain restrictions have been imposed regarding issuance and transfer of share capital as follows:

Class "A" common shares are to be issued only to citizens of the Philippines or to partnership, association or corporation organized under the laws of the Philippines.

Class "B" common shares are to be issued to any person subject to the required foreign ownership limitation under the laws of the Philippines.

Preferred shares are cumulative, non-participating, non-voting shares that are entitled for mandatory redemption on the 5th, 7th and 10th year anniversary of issue.

Unrealized gain on available-for-sale financial assets

The movement of this account is as follows:

	2018	2017
Balance at beginning of year	P (2,204,351)	P 8,350,602
Fair value changes transferred to profit or loss	-	(10,616,931)
Changes in fair value - net of deferred tax	780,378	61,978
Balance at the end of year	P (1,423,973)	P (2,204,351)

16. Administrative expenses

The breakdown of this account is as follows:

	2018	2017
Professional fees	P 540,000	P 790,000
Taxes and licenses	259,773	2,684,046
Transportation and travel	45,000	55,846
Office supplies	28,800	14,900
Penalties	-	44,000
Impairment loss on Non-current assets held for sale (see Note 9)	-	600,166
Miscellaneous	24,939	41,090
	P 898,512	P 4,230,048

17. Related party transactions

The Company's related parties, relationship, nature of transactions and year-end balances are as follows:

	Transaction	Amount	Year-end balances	Terms	Conditions
Advances to related parties					
<i>Subsidiaries</i>					
Managed Care Philippines, Inc.					
2018	Payment of advances	P (5,000,000)	P 6,942,328	No payment terms	Unsecured; no impairment
2017	Payment of advances	(3,000,000)	11,942,328	No payment terms	Unsecured; no impairment
Advanced Home Concept Development Corporation					
2018	No transaction occurred during the year	P -	P 10,768,677	No payment terms	Unsecured; no impairment
2017	No transaction occurred during the year	-	10,768,677	No payment terms	Unsecured; no impairment
<i>Related parties</i>					
Unipage Management, Inc. (UMI)					
2018	Payment of advances	P (30,672,866)	P 11,571,104	No payment terms	Unsecured; no impairment
	Sale of ATNS shares (see Note 12)	15,000,000		No payment terms	Unsecured; no impairment
2017	Payment of advances	(25,000,000)	27,243,970	No payment terms	Unsecured; no impairment
	Sale of AFS investment (see Note 12)	19,908,826		No payment terms	Unsecured; no impairment
	Cash advances	4,800,000		No payment terms	Unsecured; no impairment
Shareholders					
2017	Advances	17,964,152	964,152	No payment terms	Unsecured; no impairment
	Payment of advances	(17,000,000)		No payment terms	Unsecured; no impairment
ATN Philippines Solar Energy Group Inc.					
2018	Advances	P 333,539	P 607,479	No payment terms	Unsecured; no impairment
2017	Advances	273,940	273,940	No payment terms	Unsecured; no impairment
Total advances to related parties					
2018			P 29,889,588		
2017			51,193,067		

	Transaction	Amount	Year-end balances	Terms	Conditions
Advances from related parties					
<i>Subsidiary</i>					
Palladian Land Development, Inc.					
2018	Payment of advances	P -	P (60,328,401)	No payment terms	Unsecured; no impairment
	Cash advances	(10,143,128)			
2017	Payment of advances	2,555,960	(50,185,273)	No payment terms	Unsecured; no impairment
	Cash advances	(27,000,000)			
<i>Related parties</i>					
Unipage Management Inc. (UMI)					
	Advances	(209,590)	(209,590)	No payment terms	Unsecured; no impairment
<i>Shareholders</i>					
2018	Cash advances	(28,500,000)	(28,670,373)	No payment terms	Unsecured; no impairment
	Payment of advances to shareholders	(1,134,525)			
2017	Payment of advances	35,848	-	No payment terms	Unsecured; no impairment
Total advances from related parties					
2017			P (89,208,365)		
2016			(50,185,273)		

Transactions with related parties during the 2018 and 2017 are as follows:

- Advances to and from subsidiaries/affiliated companies are cash advances that are primarily used for working capital of these companies.
- During 2018 and 2017, UMI has net payment of advances amounting to P30,672,866 and P291,174, respectively.
- During 2018 and 2017, the Parent Company availed of cash advances from PLDI amounting to P10 million and P27 million, respectively.

Advances to and from related parties are not subject to interest and has no fixed repayment period.

Mariestad Mining Corporation (MMC) and Sierra Madre Consolidated Mines (SMCM)

In prior years, the Company made advances to SMCM to fund its mining activities. Such advances will be converted into equity interest in SMCM when mining operations commence. Due to unforeseen circumstances, SMCM encountered financial difficulties and were unable to operate and generate revenues and cash flows. Accordingly, the Company provided a full impairment loss on its advances to SMCM in 2014 amounting to P7.45 million.

18. Income Taxes

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

	2018	2017
Statutory income tax	P 7,961,668	P 2,048,132
Income subject to final tax	(3,349)	(1,046)
Tax effect of:		
Income subject to lower tax	(2,005,000)	-
Non-deductible expense	300	13,200
Non-taxable income	(5,113,506)	(3,218,261)
Effect of unrecognized deferred income tax	5,285,479	984,448
	P 6,125,592	P (173,527)

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

	2018	2017
Deferred tax assets		
Unrealized loss on asset valuation of Non-current assets held for sale	P 180,050	P 180,050
Unrealized loss on fair value adjustment of investment properties	-	2,443,198
Impairment loss on financial asset	-	9,462
	180,050	2,632,710
Deferred tax liabilities		
Unrealized gain on:		
Investment properties	2,670,308	-
Available-for-sale investments	2,169,910	2,165,989
	P 4,840,218	P 2,165,989

The movements of deferred tax assets and liabilities are as follows:

As of March 31, 2018					
	Beginning	Changes taken to		Ending	
		Profit and loss	Equity		
Deferred tax assets	P 2,632,710	P (2,452,660)	P -	P 180,050	
Deferred tax liabilities	2,165,989	2,670,308	3,921	4,840,218	
	P 466,721	P (5,122,968)	P (3,921)	P (4,660,168)	

As of March 31, 2017					
	Beginning	Changes taken to		Ending	
		Profit and loss	Equity		
Deferred tax assets	P 2,452,660	P 180,050	P -	P 2,632,710	
Deferred tax liabilities	2,265,167	-	(99,178)	2,165,989	
	P 187,493	P 180,050	P 99,178	P 466,721	

The Company did not recognize any deferred tax assets as at March 31, 2018 and 2017 on the following items since it does not expect to have sufficient profit against which the deferred tax assets can be utilized.

	2018		2017	
Allowance for impairment losses	P	4,344,462	P	4,335,000
Net Operating Loss Carry Over (NOLCO)		1,357,143		1,457,901
Minimum Corporate Income Tax (MCIT)		19,822		17,199
	P	5,721,427	P	5,810,100

Components of the Company's unutilized NOLCO and MCIT and the year until which these are deductible from taxable income are as follows:

Year incurred	Expiry	Original amounts	
		NOLCO	MCIT
2018	2021	P 516,289	P 7,624
2017	2020	3,259,749	6,523
2016	2019	747,771	5,675
		P 4,523,809	P 19,822

NOLCO and MCIT amounting to P852,151 and P5,001, respectively, that were incurred in 2015, expired in 2018 without any benefit therefrom.

19. Earnings per share

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

	2018		2017	
Income for the year	P	20,413,302	P	7,000,636
Weighted average numbers of shares outstanding during the year		4,500,000,000		4,500,000,000
	P	0.0045	P	0.0016

As of March 31, 2018 and 2017, there were no potential ordinary shares with dilutive effect.

20. Other Matters

Non cash investing and financing activities

Non-cash investing and financing activities that were excluded in the preparation of the statements of cash flows are as follows:

- Sale of an investment in associate amounting to P15 million did not generate any cash during the year but increase in advances to related parties only.
- AFS investment was increased by P784,300 during 2018 and reduced by P61,978 during 2017 due to change in fair value of the investment during 2018 and 2017, respectively.
- The value of investment properties was increased by P17.05 million due to change in fair value of investment properties during 2018.

Operating Lease Commitments

Certain investment properties of the Companies 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.

21. Supplementary Information Required under Revenue Regulation 15-2010

The Bureau of Internal Revenue (BIR) issued Revenue Regulation 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the fiscal year ended March 31, 2018 is presented in compliance thereto.

- The taxable income declared in the Company's Income Tax Return for 2018 amounted to P381,223.
- The VAT output tax declared amounted to P45,747.
- The VAT input tax claimed is broken down as follows:

Beginning of the year	P	121,707
Domestic purchases of goods and services during the year		66,720
Penalty		(1,000)
Claimed against Output VAT		(45,747)
Total input claimed during the year	P	141,680

- Expanded withholding tax in the total amount of P19,400 was paid during the fiscal year.
- As of March 31, 2018, the Company has no pending tax cases within and outside the administration of the BIR.
- All other taxes, local and national, lodge under taxes and licenses account are as follows:

Local		
Business permit	P	9,273
National		
BIR Annual registration		500
PSE Registration fee		250,000
	P	259,773

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, 2017 and 2016 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, 2017 and 2016 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.

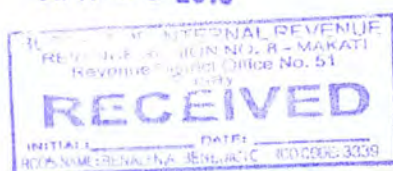
Auditor's Responsibilities for the Audit of the Financial Statements

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 reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If 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.

APR 13 2018



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 identify' 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.

Celina H. Faelmoca
Celina H. Faelmoca

CPA License No. 0062399

PRC ID expires on October 21, 2020

PTR No. 9311269, March 14, 2018, Province of Rizal

TIN No. 105-992-754

BOA Certificate of Accreditation No. 3454

Expires on December 31, 2018

BIR Accreditation No. 07-000113-1-2013

Expires on September 20, 2019

March 26, 2018

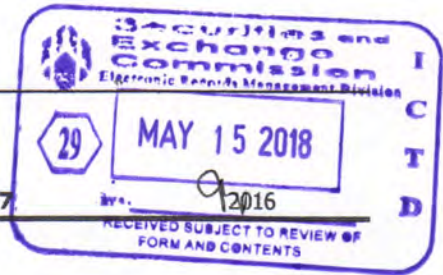
38 Lancia St. Village East

Cainta, Rizal

APR 13 2018



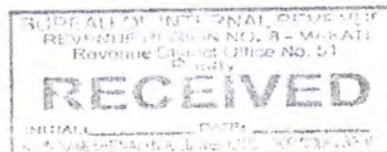
PALLADIAN LAND DEVELOPMENT INC.
STATEMENTS OF FINANCIAL POSITIONS
December 31, 2017 and 2016



	Notes	2017	2016
ASSETS			
Current Assets			
Cash in banks	8 P	13,273,991	P 1,942,771
Accounts receivable	9	305,286	148,057
Other current assets	10	3,603,841	2,136,353
		17,183,118	4,227,181
Non-current assets held for sale		23,383,669	-
		40,566,787	4,227,181
Non-Current Assets			
Advances to related parties	22	57,415,354	53,814,949
Investment properties	11	2,190,158,260	2,209,185,063
Property and equipment	13	3,278,475	3,290,565
Intangible assets	14	5,500,000	6,000,000
		2,256,352,089	2,272,290,577
		P 2,296,918,876	P 2,276,517,758
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	15 P	167,478	P 436,686
Bank loans - current	16	43,316,363	3,900,000
		43,483,841	4,336,686
Liability portion of non-current assets held for sale		28,384,768	-
		71,868,609	4,336,686
Noncurrent Liabilities			
Bank loans-non-current	16	-	22,203,823
Payable to related parties	15,22	65,315,700	62,035,395
Deposits	17	5,071,253	32,523,657
Retirement liability	23	354,295	245,923
Deferred tax liabilities	24	581,650,405	581,682,917
		652,391,653	698,691,715
Total Liabilities		724,260,262	703,028,401
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		1,350,658,614	1,351,489,357
		1,572,658,614	1,573,489,357
		P 2,296,918,876	P 2,276,517,758

See Notes to Financial Statements

APR 18 2018

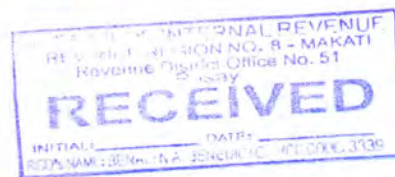


PALLADIAN LAND DEVELOPMENT INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

		2017		2016
Lease Income	19	P 7,432,751	P	7,892,415
Direct Cost	20	769,305		970,998
Gross Profit		6,663,446		6,921,417
Other Income				
Unrealized foreign exchange gain		131,282		3,907
Interest income		8,999		8,081
Total Income		6,803,727		6,933,405
OPERATING EXPENSES	21	6,209,026		6,128,239
FINANCE COST		1,324,687		1,125,410
INCOME BEFORE INCOME TAX		(729,986)		(320,244)
INCOME TAX EXPENSE		100,757		130,032
INCOME (LOSS) FOR THE PERIOD		P (830,743)	P	(450,276)
EARNINGS PER SHARE	30	P (0.00)	P	(0.00)

See Notes to Financial Statements

APR 13 2018



PALLADIAN LAND DEVELOPMENT INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	2017		2016	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income before income tax	P	(729,986)	P	(320,244)
Adjustments to reconcile net income to cash provided by operation:				
Depreciation and amortization		901,793		814,516
Amortization of intangibles		500,000		500,000
Unrealized foreign exchange loss (gain)		981,258		1,877,899
Provision for retirement		108,373		27,987
Interest income		(8,999)		(8,081)
Interest expense		1,324,687		1,125,410
Operating income before working capital changes		3,077,126		4,017,487
Decrease (increase) in current assets				
Accounts receivables		(157,229)		83,212
Other current assets		(1,467,488)		(796,738)
Increase (decrease) in current liabilities				
Accounts payable		(269,208)		304,300
Income taxes paid		(133,269)		(138,428)
Interest received		8,999		8,081
		1,058,931		3,477,914
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in advances to related party		(3,011,506)		(35,682,202)
Increase (decrease) in payable to related party		3,280,305		28,728,707
Increase (decrease) in deposits		932,364		2,132,387
Acquisition of:				
Investment properties		(4,356,866)		-
Transportation equipment		(1,347,321)		(457,618)
		(4,503,024)		(5,278,726)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Bank loans		(3,900,000)		(3,435,500)
Interest		(1,324,687)		(1,125,410)
Proceeds of bank loans		20,000,000		4,000,000
		14,775,313		(560,910)
NET INCREASE/(DECREASE) IN CASH		11,331,220		(2,361,722)
CASH BEGINNING		1,942,771		4,304,493
CASH END OF THE PERIOD	P	13,273,991	P	1,942,771

See Notes to Financial Statements

PALLADIAN LAND DEVELOPMENT, INC.
STATEMENT OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016

		Share Capital		Additional Paid-in Capital		Retained Earnings		Totals
Balance at January 1, 2016	P	200,000,000	P	22,000,000	P	1,351,939,633	P	1,573,939,633
Profit for the period						(450,276)		(450,276)
Balance at December 31, 2016	P	200,000,000	P	22,000,000	P	1,351,489,357	P	1,573,489,357
Loss for the period					P	(830,743)	P	(830,743)
Balance at December 31, 2017		P200,000,000		P22,000,000		P 1,350,658,614		P 1,572,658,614
<i>See Notes to Financial Statements</i>								

PALLADIAN LAND DEVELOPMENT INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2018.

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, 2017 and 2016, 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, 2017 and 2016, 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
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, 2017 and 2016, 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 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.

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.

On January 15, 2016, the company entered into a hedging agreement for the foreign currency denominated borrowing of Yen 52 million.

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 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, 2017

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, 2017.

Amendments to PAS 7, Statement of Cash Flows

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments do not have any significant impact on the Company's financial statements.

Amendments to PAS 12, Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments do not have any impact on the Company's financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2017

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2017 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 2018 financial statements

PFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 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. Locally, the SEC adopted IFRS 9 or PFRS 9 on August 17, 2016.

The Company meets the eligibility criteria of the temporary exemption (see below) from PFRS 9 and intends to defer the application of PFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) which becomes effective for periods beginning on or after 1 January 2021.

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 Company does not expect the adoption of this interpretation to have any significant impact on the financial statements.

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.

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. They are effective for annual periods beginning on or after January 1, 2018.

PFRS 9, Financial Instruments (2014)

PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is still assessing the potential impact on its financial statements resulting from the application of PFRS 9.

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.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of PFRS 15.

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 will not have 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.

Effective in 2019 financial statements

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 are not expected to have any impact on the Company.

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 Company's financial statements.

PFRS 17, *Insurance Contracts*

This new standard establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

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 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 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 P7, 432,751 in 2017, and P7, 892,415 in 2016.

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 P3.278 million and P3.290 million as of December 31, 2017 and 2016, 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 March 2014, a reappraisal was made for part of the Group's investment properties. The appraisal resulted into an increment amounting to P674.575 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 P2.2 billion as of December 31, 2017 and 2016.

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 Investment in and advances to related parties as of December 31, 2017 and 2016 is as follows:

	2017		2016	
	Gross carrying amount	Net carrying amount	Gross carrying amount	Net carrying amount
Advances to subsidiaries				
ATN Holdings, Inc.	P 53,544,981	P 53,544,981	P 51,205,335	P 51,205,335
Advanced Home Concept Dev. Inc.	878,715	878,715	878,715	878,715
Advances to related parties				
Unipage Mgt. Inc.	2,696,439	2,696,439	1,730,899	1,730,899
Transpacific Broadband Group	295,219	295,219		
	P 57,415,354	P 57,415,354	P 53,814,949	P 53,814,949

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.

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Loans and receivables				
Cash	13,273,991	13,273,991	1,942,771	1,942,771
Other financial liabilities				
Accounts payable and accrued expenses	167,478	167,478	436,686	436,686
Bank loans	43,316,363	43,316,363	26,103,823	26,103,823
Deposits	5,071,253	5,071,253	32,523,657	32,523,657

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 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, 2017 and 2016 based on contractual undiscounted payments:

2017		Not later than one month	Later than 1	Later than 1	Later than 1	Total
			month & not later than 3 mos	month & not later than 1 year	month & not later than 5 year	
Accounts payable and						
	accrued expenses	P 167,478			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
2016		Not later than one month	Later than 1 month & not later than 3 mos	Later than 1 month & not later than 1 year	Later than 1 month & not later than 5 year	Total
Accounts payable and						
	accrued expenses	P 436,686			P	436,686
Bank loans						
					26,103,823	26,103,823
Payable to related parties						
					62,035,395	62,035,395
Deposits						
					32,523,657	32,523,657

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 the collaterals and other credit enhancements.

	Gross maximum exposure			
	2017		2016	
Cash in bank	P	13,273,991	P	1,942,771
Accounts receivable		305,286		148,057
Advances to related parties		57,415,354		53,814,949
	P	70,994,631	P	55,905,777

Credit quality of the Company's assets as of December 31, 2017 and 2016 is as follows:

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

2016	Neither past due nor impaired		Past due		Total
	High Grade	Standard grade	but not impaired	Past due and impaired	
Cash in bank	P 1,942,771	P -	P -	P -	P 1,942,771
Accounts receivable	-	148,057	-	-	148,057
Advances to related parties	-	-	53,814,949	-	53,814,949
	P 1,942,771.0	P 148,057.0	P 53,814,949.0	P -	P 55,905,777

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, 2017 and 2016, all of the Company's past due but not impaired receivables are 120 days past due amounting to P57,415,354 and P53,814,949 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:

	2017		2016	
	Peso	Foreign Currency	Peso	Foreign Currency
	Equivalent	Equivalent	Equivalent	Equivalent
Japanese Yen Loan	P 23,316,363	¥ 52,232,000	P 22,203,823	¥ 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
2016	Effect on Income
Increase/Decrease in Peso to Japanese Yen Rate	
+5%	+1.1 Million
-5%	-1.1 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:

	2017	2016
Equity	P 1,572,658,614	P 1,573,904,643
Total assets	2,296,918,876	2,276,517,758
Ratio	0.68	0.69

8. Cash in banks

Cash in banks as of December 31, 2017 and 2016 is P13,273,991 and P1,942,771 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, 2017 and 2016 is P305,286 and P148,057 respectively. These receivables are not subject to interest.

As of December 31, management believes that amounts are fully collectible and no provision for doubtful accounts is necessary.

10. Other Current Assets

This account consist of:

	2017	2016
Prepaid tax	P 2,004,457	P 1,555,557
Prepaid expenses and deposits	1,599,384	580,796
	P 3,603,841	P 2,136,353

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

11. Investment Properties

Investment properties consist of land, raw land, condominium units and townhouses, details of which are broken down as follows:

	2017		2016	
Cost				
Balance at beginning of year	P	523,720,601	P	523,720,601
Addition during the year		4,356,866		-
Non-current assets held for sale		(23,383,669)		
		504,693,798		523,720,601
Unrealized gain on fair value adjustment of investment properties		1,685,464,462		1,685,464,462
	P	2,190,158,260	P	2,209,185,063

On March 27, 2014, certain investment properties were re-appraised to properly reflect its fair market value. The appraisal resulted to an increase in value of investment amounting to P674.575 million. The increase in fair value is included in the statement of comprehensive income, net of deferred income tax as "Unrealized gain on investment properties". Fair market value is determined in a manner described in Note 6.

Rental income on investment properties amounted to P7,432,751 and P7,892,415 in 2017 and 2016 respectively.

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

12. Property and Equipment

Property and equipment consists of:

2017	Transporation Equipment	Leasehold Improvements	ce Furniture and Fixtures	Total
Kind of Property				
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

2016	Leasehold Improvements	Office Furniture and Fixtures	Total
Kind of Property			
Balance at beginning of year	P 7,963,628	P 930,139	P 8,893,767
Addition during the year	457,618		457,618
Balance at end of year	P 8,421,246	P 930,139	P 9,351,385
Accumulated depreciation and amortizations			
Balance at beginning of year	4,508,078	738,226	5,246,304
Depreciation for the year	778,711	35,805	814,516
Balance at end of year	5,286,789	774,031	6,060,820
Book value	P 3,134,457	P 156,108	P 3,290,565

13. 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:

	2017		2016	
Cost	P	10,000,000	P	10,000,000
Accumulated amortization				
Balance at beginning of year		4,000,000		3,500,000
Provisions		500,000		500,000
Balance at end of year		4,500,000		4,000,000
Net Book Value at end of the year	P	5,500,000	P	6,000,000

14. Accounts payable and accrued expenses

This account consists of the following:

	2017		2016	
Trade	P	-	P	339,929
Others		167,478		96,757
	P	167,478	P	436,686

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.

15. Bank Loans

Bank loans pertain to the outstanding balance of peso and yen loans with Rizal Commercial Banking Corporation and China Banking Corporation which are covered by promissory notes. These loans are secured by a mortgage on certain investment property with a fair value of P100,404,363.

On 2017, the company availed P20 million peso loan to China Banking Corporation and to mature on May 2018. The yen loan was renewed for another 2 years payable up to 2018. Interest is payable monthly at the rates specified by the bank. Interest on these loans at the end of reporting period ranges from 5% for peso loan 3% for yen loan per year.

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

	2017		2016	
Yen Loan	P	23,316,363	P	22,203,823
Peso loan		20,000,000		3,900,000
		43,316,363		26,103,823
Less: current portion		43,316,363		3,900,000
	P	-	P	22,203,823

Financing charges related to peso and foreign currency loans amounted to P1,324,687 and P1,125,410 in 2017 and 2016 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.

As of December 31, 2017 and 2016, foreign currency losses incurred related to translating the RCBC JPY loans amounting to P1,112,540 and P1,105,684 respectively.

17. Deposits

This account consists of the following:

	2017		2016	
Deposit on operating leases	P	5,071,253	P	4,043,442
Deposit on contract to sell		-		28,480,215
	P	5,071,253	P	32,523,657

Deposit on operating leases is made in compliance with the existing leasing agreement with lessor. The amount is refundable at the expiration of lease contracts.

Deposit on contract-to-sell represents advance payment on sale of investment properties reclassified to Non-current assets held for sale.

18. Equity

Share capital

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

	2017		2016	
	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, 2017 and 2016.

19. Revenues

This account consist of rental income from investment property of P7.432 million and P7.892 million as of December 31, 2017 and 2016 respectively.

20. Direct Costs

This account consist of real estate taxes paid during the year amounting to P769,305 and P970,998 as of December 31, 2017 and 2016 respectively.

21. Operating expenses

The breakdown of this account is as follows:

	2017		2016	
Communication, dues and utilities	P	1,678,435	P	1,750,812
Depreciation and amortization		1,401,793		1,314,516
Salaries,wages and other benefits		1,245,610		1,119,939
Salaries of security guards		624,600		533,958
Rental		567,414		558,756
Hedging fee		150,000		150,000
Transportation and travel		129,675		150,685
Miscellaneous		111,537		75,628
Provision for retirement		108,373		27,987
Taxes and licenses		82,582		82,320
Office supplies		68,650		224,876
Contractual services		29,375		126,408
Professional fees		10,982		12,354
	P	6,209,026	P	6,128,239

22. Related Party Transactions

The following related party transactions occurred during 2017 and 2016:

Transaction	Amount	Year-end balances	Terms	Conditions
Advances to related party				
ATN Holdings Inc.				
2017 Advances	5,000,000	53,544,981	no payment	Unsecured
Payment of advances	(2,660,354)		terms	no impairment
2016		51,205,335		
Advanced Home Concept Dev. Corp.				
2017 Advances	-	878,715	no payment	Unsecured
2016 during the year	-	878,715	terms	no impairment
Transpacific Broadband Group Int'l., Inc.				
2017 Advances	5,446,497	295,219	no payment	Unsecured
during the year	(3,287,620)		terms	no impairment
2016		(1,863,657)		
Unipage Management Inc.				
2017 Advances	1,112,540	2,696,439	no payment	Unsecured
Payment of advances	(147,000)		terms	no impairment
2016		1,730,899		
Total advances to related party				
2017		57,415,355		
2016		53,814,949		
Advances from related parties				
ATN Phils. Solar				
2017 Payment of advances	(3,000,000)	1,152,747	no payment	Unsecured
Advances	4,152,747		terms	no impairment
2016		-	no payment	Unsecured
			terms	no impairment
MCPI				
2017 Payment of advances	(73,538)	-	no payment	Unsecured
Cash advance			terms	no impairment
2016		73,538	no payment	Unsecured
			terms	no impairment
Shareholders				
2017 Payment of advances	(6,352,966)	64,162,953	no payment	Unsecured
Cash advance	10,417,719		terms	no impairment
2016		60,098,200	no payment	Unsecured
			terms	no impairment
Total advances to related party				
2017		65,315,700		
2016		62,035,395		

23. 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, 2017 and 2016 is P354,295 and P245,923 respectively.

24. Income Taxes

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

		2017		2016
Current	P	133,269	P	138,428
Deferred		(32,512)		(8,396)
	P	100,757	P	130,032

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

		2017		2016
Statutory income tax	P	(218,996)	P	(93,073)
Tax effect of:				
Non-deductible expenses		32,512		8,396
Non-taxable income		(39,385)		(1,172)
Income subject to final tax		(2,700)		(2,424)
		(228,568)		(88,273)
MCIT		133,269		138,428
Actual provision for income tax		133,269		138,428

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

		2017		2016
Unrealized gain on fair value adjustment of investment properties		581,756,695		581,756,695
Retirement liability		(106,289)		(73,777)
		581,650,406		581,682,918

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:

25. Earnings (Loss) Per Share

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

		2017		2016
Earnings (A)	P	(830,743)	P	(450,276)
Divided by:				
Weighted Average Shares (B)		200,000,000		200,000,000
Earnings per share (A/B)		(0.00)		(0.00)

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

26. 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.

27. 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	837,263
	Gross revenue subject to VAT	6,977,189
	Zero rated sales - Peza Accredited	455,562
b.	VAT input taxes	
	Amount	854,221
	Domestic purchased of goods and services	2,063,377
	Capital assets	5,056,131
c.	Other taxes, licenses and fees	
	Local	
	Business permit	82,082
	Real estate taxes	769,305
	National	
	Annual registration	500
d.	Withholding taxes	
	Tax on compensation and benefits	48,473
	Creditable withholding taxes	32,816
	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:**

Real estate tax	769,305
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Details of operating expenses for income tax purposes as follows:

Communication, dues and utilities	P	1,678,435
Depreciation and amortization		1,401,793
Interest expense		1,324,687
Salaries, wages and other benefits		1,245,610
Security services		624,600
Rental		567,414
Hedging fee		150,000
Transportation and travel		129,675
Miscellaneous		111,537
Taxes and licenses		82,582
Office supplies		68,650
Contractual services		29,375
Professional fees		10,982
	P	7,425,340

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, 2017 and 2016 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, 2017 and 2016 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.

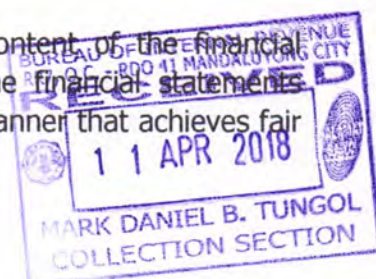


Auditor's Responsibilities for the Audit of the Financial Statements

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 reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If 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 identify' 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 21 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.

Celina H. Faelmoca
Celina H. Faelmoca

CPA License No. 0062399

PRC ID expires on October 21, 2020

PTR No. 9311269, March 14, 2018, Province of Rizal

TIN No. 105-992-754

BOA Certificate of Accreditation No. 3454

Expires on December 31, 2018

BIR Accreditation No. 07-000113-1-2013

Expires on September 20, 2019

March 26, 2018

38 Lancia St. Village East

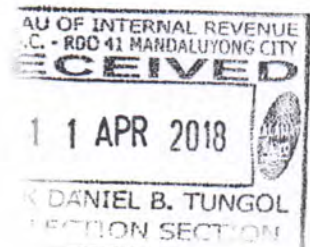
Cainta, Rizal



ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITIONS
DECEMBER 31, 2017 AND 2016



	Notes	2017	2016
ASSETS			
Current Assets			
Cash in banks	8	P 51,502	P 70,353
Other current assets	9	81,088	81,088
		132,590	151,441
Noncurrent Assets			
Investment property	10	9,200,044	9,200,044
		P 9,332,634	P 9,351,485
LIABILITIES AND EQUITY			
Noncurrent Liabilities			
Payable to related parties	11,14	P 14,409,447	P 14,344,022
Total Liabilities		14,409,447	14,344,022
EQUITY			
Share Capital	12	2,000,000	2,000,000
Deficit	13	(7,076,813)	(6,992,537)
		(5,076,813)	(4,992,537)
		P 9,332,634	P 9,351,485
See notes to Financial Statements			



ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Notes	2017	2016
REVENUES		P -	P -
INTEREST INCOME		58	18
EXPENSES	17	84,334	114,261
LOSS BEFORE INCOME TAX		(84,276)	(114,243)
INCOME TAX EXPENSE		-	-
LOSS FOR THE YEAR		(84,276)	(114,243)
LOSS PER SHARE		(0.04)	(0.06)
See notes to Financial Statements			



ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit	P (84,276)	P (114,243)
Adjustments to reconcile net income to cash provided by operating activities:		
Interest income	(58)	(18)
Net cash provided by operations	(84,334)	(114,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in :		
Payable to related party	65,425	120,000
Interest received	58	18
	65,483	120,018
NET INCREASE/(DECREASE) IN CASH	(18,851)	5,757
CASH BEGINNING OF YEAR	70,353	64,596
CASH END OF YEAR	P 51,502	P 70,353
See notes to Financial Statements		

ADVANCED HOME CONCEPT DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Share Capital	Deficit	Totals
Balance at January 1, 2016	P 2,000,000	P (6,878,294)	P (4,878,294)
Net Loss		(114,243)	(114,243)
Balances at December 31, 2016	2,000,000	(6,992,537)	(4,992,537)
Net Loss		(84,276)	(84,276)
Balances at December 31, 2017	P 2,000,000	P (7,076,813)	P (5,076,813)
<i>See notes to Financial Statements</i>			

ADVANCED HOME CONCEPT DEVELOPMENT CORP.
Notes to Financial Statement
December 31, 2017 and 2016

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, 2018.

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, 2017 and 2016, 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.

Other current assets

Other current asset consists of 12% input tax from purchases of goods and services which can be claimed against output tax.

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, 2017 and December 31, 2016.

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.

As of December 31, 2017 and 2016, 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.

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 as at the end of reporting period.

Deferred tax asset is recognized for all temporary differences that are expected to reduce taxable profit in the future, and for the carry forward of unused tax losses and unused tax credits. Deferred tax liability is recognized for all temporary differences that are expected to increase the taxable profit in the future. Deferred tax assets and liabilities are measured using the tax rates and loss substantively enacted at the end of the reporting period.

The carrying amount of deferred tax asset is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

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 asset or liabilities are charged or credited directly to equity.

Employee Benefits

(i) Retirement Benefit Cost

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 is determined using the accrued benefits valuation method or projected benefit valuation method. Both methods require an actuarial valuation which the Company 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 Company and an acceptable actuarial valuation method is not significant.

(ii) Compensated absences

Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at reporting date. They are included as part of Accounts payable and accrued expenses account at the undiscounted amount the Company expects to pay as a result of the unused entitlement.

Borrowing Costs

Borrowing costs are generally expenses as incurred. Borrowing costs, including exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest cost, are capitalized if they are directly attributable to the

acquisition or construction of an 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 substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

For income tax reporting purposes, borrowing costs are treated as deductible expense in the year such are incurred.

Leases

Properties leased out under operating leases are included in investment property in the balance sheet. Lease income is recognized over the term of the lease on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments if any are recognized as an expense in the statements of income on a straight-line basis over the lease term.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Related Party Transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

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, 2017

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, 2017.

Amendments to PAS 7, Statement of Cash Flows

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments do not have any significant impact on the Company's financial statements.

Amendments to PAS 12, Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments do not have any impact on the Company's financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2017

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2017 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 2018 financial statements

PFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 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. Locally, the SEC adopted IFRS 9 or PFRS 9 on August 17, 2016.

The Company meets the eligibility criteria of the temporary exemption (see below) from PFRS 9 and intends to defer the application of PFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) which becomes effective for periods beginning on or after 1 January 2021.

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 Company does not expect the adoption of this interpretation to have any significant impact on the financial statements.

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.

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. They are effective for annual periods beginning on or after January 1, 2018.

PFRS 9, Financial Instruments (2014)

PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is still assessing the potential impact on its financial statements resulting from the application of PFRS 9.

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.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of PFRS 15.

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 will not have 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.

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, 2017 and 2016.

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, 2017 and 2016.

	Carrying Value	2017 Fair Value	Carrying Value	2016 Fair Value
Financial assets				
Cash in bank	P51,502	P51,502	P70,353	P70,353
Financial liabilities				
Payable to related party	P14,409,447	P14,409,447	P14,344,022	P14,324,022

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 2012 and 2011 balance sheet. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	<u>Gross maximum exposure</u>	
	<u>2017</u>	<u>2016</u>
Cash in bank	P51,502	P70,353

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, 2017 and 2016 based on contractual undiscounted payments.

2017	On demand	Due within 2 months	Due between 2-3 months	No definite call	Total
Payable to related party	P-	P-	P-	14,409,447	P14,409,447
2016	On demand	Due within 2 months	Due between 2-3 months	No definite call	Total
Payable to related party	-	-	P-	P14,324,022	P14,224,022

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.

i. Currency risk

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 fluctuations in the exchanges rates could significantly affect the Company's position.

ii. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

iii. Operational risk

Operational risk is the risk of loss from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education, and assessment processes. Business risk such as changes in environment, technology, and industry are monitored through the Company's strategic planning and budgeting processes.

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 may 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 loss of P84 thousand and P114 thousand as of December 31, 2017 and 2016 respectively. 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:

	2017	2016
Equity	(P5,076,813)	(P4,992,537)
Total Assets	9,332,634	9,351,485
Ratio	(0.54)	(0.52)

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

This account consist of VAT inputs of P81,088 as of December 31, 2017 and 2016.

10. Investment Property

This account consist of residential condominium units. There was no addition resulting from subsequent expenditures and no sale during the year.:

The cost and fair value of investment property are as follows:

	2017	2016
Investment property, at cost	P8,851,670	P8,851,670
Accumulated net gain from fair value adjustments	348,374	348,374
Investment property at fair value	P9,200,044	P9,200,044

Investment properties are stated at fair values, which have been determined based on the latest valuation report. The valuation undertaken was based on an open market value, supported by a market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

11. Payable to related parties

This account consist of the following:

	2017	2016
ATN Holdings, Inc.	P 10,768,677	P 10,768,677
Palladian Land Dev. Inc.	878,715	878,715
Stockholders	2,762,055	2,696,630
	P 14,409,447	P 14,344,022

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:

	2017		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. Deficit

This account consist of:

	2017		2016	
Balance, January 1	P	6,992,535	P	6,878,292
Add: Net Loss for the period		84,276		114,243
	P	7,076,811	P	6,992,535

14. Related Party Transactions**(a) Development Agreement**

On May 26, 2004, the Company entered into a development agreement with Palladian Land Development, Inc. (PLDI).

Under the terms of the agreement, the company (AHCDC) shall facilitate and make available for development by PLDI the property located at Pasig City. PLDI shall be responsible for all development cost estimated at Twenty Five Million Pesos (P25,000,000.00)

AHCDC will be allocated majority of the properties under Block One of PT-75382 and PLDI will be allocated all the properties under Block Two and a portion of Block One of PT-75382.

(b) Development Agreement

On May 26, 2004, the Company (AHCDC) entered into a development agreement with ATN Holdings, Inc., its ultimate parent company.

Under the terms of the agreement AHCDC shall facilitate and make available for development by ATN the property located at Pasig City. ATN shall be responsible for all development cost estimated at Fifteen Million Pesos (P15,000,000.00), and all necessary final design, specifications, government permits and the execution of construction works in subject property.

AHCDC will be allocated the properties under PT-72580 and PT-72582 and with corresponding condominium units as its share in the investment. ATN will be allocated the property under PT-72584 with the corresponding condominium units as its share in the investment.

15. Revenues

The company has no commercial operations as at December 31, 2017 and 2016.

16. Expenses

This account consist of:

	2017		2016	
Taxes and licenses	P	65,925	P	94,629
Miscellaneous		18,409		19,614
	P	84,334	P	114,243

17. Income Tax expense (benefit)

The company has no income tax due for the years ended December 31, 2017 and 2016.

The Company did not recognize any deferred tax assets as of December 31, 2014 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.

18. Earnings per Share

The Company's earnings per share for the period ended December 31, 2017 and 2016 are computed as follows:

	<u>2017</u>	<u>2016</u>
Net loss for the year	P(84,276)	P(114,243)
Number of shares issued and outstanding	2,000,000	2,000,000
EARNINGS PER SHARE	n/a	n/a

The Company considers its equity contributed by shareholders as capital.

	<u>Amount</u>
Share Capital	2,000,000
Total	2,000,000

19. 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, 2017 and 2016, thus there were no output taxes.

	<u>2017</u>	<u>2016</u>
--	-------------	-------------

Other taxes and licenses

Local:

Real estate tax **P65,425** **P94,129**

National:

BIR annual registration 500 500
P65,925 P94,629

Withholding taxes paid/accrued for the year:

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

Deficiency tax assessments and tax cases

The company has no existing deficiency tax assessments as of December 31, 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, 2017 and 2016 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, 2017 and 2016 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 reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If 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 identify' 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 26 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. 9311269, March 14, 2018, Province of Rizal

TIN No. 105-992-754

BOA Certificate of Accreditation No. 3454

Expires on December 31, 2018

BIR Accreditation No. 07-000113-1-2013

Expires on September 20, 2019

March 26, 2018

38 Lancia St. Village East

Cainta, Rizal



MANAGED CARE PHIL., INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016



	Notes	2017	2016
ASSETS			
Current Assets			
Cash in banks	8	P 1,763,046	P 4,228,259
Receivables	9	-	750,065
Other current assets	10	164,844	193,348
		1,927,890	5,171,672
Noncurrent Assets			
Advances to related party	14	-	73,538
Property and equipment	11	15,893,266	19,533,069
Intangibles	12	350,000	700,000
Deferred tax assets	23	65,820	137,083
		16,309,086	20,443,690
		P 18,236,976	P 25,615,362
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	13	P 387,575	P 1,643,810
		387,575	1,643,810
Noncurrent Liabilities			
Payable to related party	14	13,570,313	14,706,240
Pension liability	15	219,401	456,943
		13,789,714	15,163,183
Total Liabilities		14,177,288	16,806,993
Equity			
Share capital	16	25,000,000	25,000,000
Deficit	17	(20,940,312)	(16,191,631)
		4,059,688	8,808,369
		P 18,236,976	P 25,615,362

See Notes to Financial Statements



MANAGED CARE PHIL., INC.
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2017 AND 2016

		2017	2016
REVENUES	18	P 2,011,419	P 7,711,236
DIRECT COST	19	4,157,508	7,197,029
GROSS INCOME		(2,146,089)	514,207
OTHER INCOME			
Reversal of retirement liability		237,542	-
Interest income		6,011	4,833
TOTAL		(1,902,536)	519,040
ADMINISTRATIVE EXPENSES	20	2,774,882	2,342,501
PROFIT (LOSS) BEFORE INCOME TAX		(4,677,419)	(1,823,461)
INCOME TAX EXPENSE	21	71,263	3,695
NET INCOME (LOSS)		P (4,748,681)	P (1,827,156)
EARNINGS PER SHARE	22	P (0.190)	P (0.073)

See Notes to Financial Statements



MANAGED CARE PHIL., INC.
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Share Capital	P 25,000,000	P 25,000,000
Deficit		
Deficit at beginning of year	(16,191,631)	(14,364,475)
Net income (loss) for the period	(4,748,681)	(1,827,156)
Deficit at end of year	(20,940,312)	(16,191,631)
	P 4,059,688	P 8,808,369

See Notes to Financial Statements

MANAGED CARE PHIL., INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	P (4,748,681)	P (1,827,156)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	4,197,445	3,469,414
Provision (reversal) of pension liability	(166,279)	15,376
Interest income	6,011	4,833
Decrease (Increase) in:		
Receivable	750,065	852,236
Other current assets	28,504	(94,548)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(1,256,235)	784,073
	(1,189,170)	3,204,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (Decrease) in payable to related party	(1,062,389)	(3,903,396)
Decrease (Increase) in property and equipment	(207,643)	(535,714)
Proceeds from sale of available-for-sale investment	-	-
Interest received	(6,011)	(4,833)
	(1,276,043)	(4,443,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
	-	-
NET INCREASE/(DECREASE) IN CASH	(2,465,213)	(1,239,715)
CASH BEGINNING OF YEAR	4,228,259	5,467,974
CASH END OF YEAR	P 1,763,046	P 4,228,259

MANAGED CARE PHIL., INC.
Notes to Financial Statements
December 31, 2017 and 2016

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, 2018.

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.

These financial statements are prepared for the purpose of complying with the requirements of the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR).

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 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, 2017 and 2016.

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) 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.

Because of the undue cost or effort in measuring retirement benefit cost under defined benefit plan using the projected unit credit method, the company elected to measure its retirement benefit obligation with respect to current employees with the following simplifications:

- (a) Ignored estimated future salary increases;
- (b) Ignored future service of current employees; and,
- (c) Ignored possible in-service mortality of current employees between December 31, 2017 and the date employees are expected to begin receiving post-employment benefits.

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, 2017

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, 2017.

Amendments to PAS 7, Statement of Cash Flows

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments do not have any significant impact on the Company's financial statements.

Amendments to PAS 12, Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments do not have any impact on the Company's financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2017

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2017 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 2018 financial statements

PFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 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. Locally, the SEC adopted IFRS 9 or PFRS 9 on August 17, 2016.

The Company do not meet the eligibility criteria of the temporary exemption (see below) from PFRS 9 and not allowed to defer the application of PFRS 9.

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 Company does not expect the adoption of this interpretation to have any significant impact on the financial statements.

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.

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. They are effective for annual periods beginning on or after January 1, 2018.

PFRS 9, Financial Instruments (2014)

PFRS 9 (2014) replaces PAS 39, Financial Instruments: Recognition and Measurement, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company expects no significant impact on its financial statements resulting from the application of PFRS 9.

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.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of PFRS 15.

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 will not have 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.

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.

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)

2016		Level 1	Level 2	Level 3	Total
Cash	P	4,228,259	-	-	P 4,228,259
Receivables			5,311,908		5,311,908
Other current assets		193,348			193,348
Advances to related party		73,538			73,538
Accounts payable and accrued expenses			(1,643,810)		(1,643,810)
Payable to related party		(14,706,240)			(14,706,240)

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, 2017 and 2016, 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	
	2017	2016
Cash in bank	P1,763,046	P 4,228,259
Receivables	-	750,065
Advances to related party	-	73,538
	P1,763,046	P 5,051,862

Credit quality of the Company's assets as of December 31, 2017 and 2016 is as follows:

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

2016	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High Grade	Standard grade			
Cash in bank	P 4,228,259	-	-	-	P 4,228,259
Accounts receivable	-	750,065	-	-	750,065
Advances to related party	-	-	73,538	-	73,538
	P 4,228,259	P 750,065	73,538	-	P 5,051,862

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:

	2017	2016
Equity	P4,059,688	P 8,808,369
Total assets	18,236,976	25,615,362
Ratio	0.22	0.37

8. Cash in banks

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

	2017	2016
Cash in banks	P 1,760,046	P 4,218,259
Cash on hand	3,000	10,000
	P 1,763,046	P 4,228,259

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

9. Receivables

Receivables consist of P750,065 as of December 31, 2016 and were fully collected in December 31, 2017.

10. Other current assets

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

	2017	2016
Security deposits	P 88,109	P 88,109
Prepaid rent	-	78,669
Prepaid tax	76,735	26,570
	P 164,844	P 193,348

11. Property and equipment

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

2017	Medical Equipment	Office furniture and fixtures	Transportation Equipment	Leasehold Improvements	Total
Kind of Property					
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

2016	Medical Equipment	Office furniture and fixtures	Transportation Equipment	Leasehold Improvements	Total
Kind of Property					
Cost	P 34,194,095	P 5,208,509	P 2,641,072	P 12,005,545	P 54,049,221
Additions	535,714				535,714
	34,729,809	5,208,509	2,641,072	12,005,545	54,584,935
Accumulated depreciation and amortizations					
Balance at beg of year	18,284,705	4,164,612	995,536	8,487,599	31,932,452
Depreciation for the year	1,805,763	413,461	329,107	571,083	3,119,414
Balance at end of year	20,090,468	4,578,073	1,324,643	9,058,682	35,051,866
Book Value	P 14,639,341	-	P 1,316,429	2,946,863.00	P 19,533,069

12. Intangible assets

The movement in intangible assets follows:

	2017	2016
Cost	P 5,000,000	P 5,000,000
Accumulated amortizations		
Balance at beginning of year	4,300,000	3,950,000
Provisions	350,000	350,000
Balance at end of year	4,650,000	4,300,000
Net book value as at December 31	P 350,000	P 700,000

13. Accounts payable and accrued expenses

This account consists of:

	2017	2016
Trade	P 375,115	P 1,098,243
Accrued expenses	12,460	545,567
	P 387,575	P 1,643,810

14. Related party transactions

The following are transactions with related parties during the year:

			Year-end		
	Transaction	Amount	balances	Terms	Conditions
Advances to related party					
Palladian Land Development Inc.					
2017	Payment of advances during the year	(73,538)	-	no payment terms	Unsecured no impairment
2016			73,538		
Total advances to related party					
2017			-		
2016			73,538		
Advances from related parties					
ATN Holdings, Inc.					
2017	Payment of advances	(5,000,000)	6,942,328	no payment terms	Unsecured no impairment
	Cash advance	-			
2016			11,942,328	no payment terms	Unsecured no impairment
Transpacific Broadband Group Int'l., Inc.					
2017	Payment of advances	(345,744)	-	no payment terms	Unsecured no impairment
	Cash advance	-			
2016			345,744	no payment terms	Unsecured no impairment
Shareholders					
2017	Payment of advances	600,000	6,627,985	no payment terms	Unsecured no impairment
	Cash advance	3,609,817			
2016			2,418,168	no payment terms	Unsecured no impairment
Total advances to related party					
2017			13,570,313		
2016			14,706,240		

Key management personnel do not derive compensation from the Company.

15. 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.

		2017		2016
Balance, January 1	P	456,943	P	434,979
Reversal		(237,542)		21,964
	P	219,401	P	456,943

16. Share Capital

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

	2017		2016	
	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

17. Deficit

This account consists of:

	2017	2016
Balance, January 1	P 16,191,631	P 14,364,475
Add: Net Income (loss) for the period	(4,748,681)	(1,827,156)
	P 20,940,312	P 16,191,631

18. Revenues

This account consists of medical services rendered. Revenue is recognized upon completion of the service.

19. Direct Cost

This account consists of:

	2017	2016
Depreciation and amortization	P 1,805,763	P 1,805,763
Rent	1,000,326	1,037,441
Utilities, dues and communication	808,829	1,536,294
Medical supplies	271,337	1,201,737
Salaries, wages and other benefits	200,254	1,190,117
Retainers' fee	71,000	343,905
Contractual services	-	81,772
	P 4,157,508	P 7,197,029

20. Administrative expenses

This account consists of:

	2017	2016
Depreciation and amortization	P 2,391,682	P 1,663,651
Salaries, wages and other benefits	205,766	221,000
Transportation	77,685	48,597
Taxes and licenses	40,663	40,080
Office supplies	34,550	182,096
Communication	15,336	36,273
Miscellaneous	9,200	128,839
Provision for retirement	-	21,965
	P 2,774,882	P 2,342,501

21. Income Taxes

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

	2017		2016
Current	-	P	10,284
Deferred	71,263		(6,589)
	P 71,263	P	3,695

The reconciliation of the income tax expense computed at statutory tax rate and the income tax liability for the current period is as follows:

	2017		2016
Statutory income tax	(1,403,226)		(233,667)
Tax effect of:			
Reversal of retirement liability	(71,263)		6,590
Income subject to final tax	(1,803)		(1,450)
	(1,476,291)		(228,527)

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

	2017		2016
Pension liability	P 219,401	P	456,943

22. Earnings Per Share

The Company's earnings per share for the period ended December 31, 2017 and 2016 are computed as follows:

	2017		2016
Net income (loss) for during the year	(4,748,681)		(1,827,156)
Number of shares issued and outstanding	25,000,000		25,000,000
EARNINGS PER SHARE	(0.19)		(0.07)

23. Contracts and commitments

The company leases GF of the Summit One Parking Building to Minoru Holdings for a period of 6 yrs starting August 1, 2016 to July 31, 2022.

24. 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.

25. 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 2016:

VAT Output taxes	
Amount	P 241,370
Gross revenue subject to VAT	2,011,419
VAT input taxes	
Amount	267,789
Domestic purchased of goods and services	2,231,572
Other taxes, licenses and fees	
Local	
Business permit	40,163
National	
Annual registration	500
Withholding taxes	
Tax on compensation and benefits	7,537
Creditable withholding taxes	57,430

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 are as follows:

Depreciation and amortization	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
	<hr/>
	P 4,157,508

Details of administrative expenses for income tax purposes are as follows:

Depreciation and amortization	2,391,682
Salaries, wages and other benefits	205,766
Transportation	77,685
Taxes and licenses	40,663
Office supplies	34,550
Communication	15,336
Miscellaneous	9,200
	<hr/>
	2,774,882