CARD MRI Property Holdings, Inc.

Financial Statements
December 31, 2017 and for the period from
November 10 to December 31, 2016

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
CARD MRI Property Holdings, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD MRI Property Holdings, Inc. (the Company), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended December 31, 2017 and for the period from November 10, 2016 to December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and for the period from November 10, 2016 to December 31, 2016, and its financial performance and its cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

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 other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SMEs, 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.

- 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.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 17 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 the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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February 14, 2018, valid until February 13, 2021
PTR No. 6621226, January 9, 2018, Makati City

March 9, 2018

CARD MRI PROPERTY HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Cash and other cash items (Note 5)	**₱31,305,605**	₱31,176,465
Loan and other receivables (Note 6)	**2,580,532**	–
Investment properties (Note 7)	**118,179,703**	–
Other assets (Note 8)	**1,491,234**	2,185,000
TOTAL ASSETS	**₱153,557,074**	₱33,361,465
LIABILITIES AND EQUITY		
LIABILITIES		
Accrued and other expenses payable (Note 9)	**₱28,403,633**	₱1,067,027
EQUITY		
Capital stock (Note 10)	**125,000,500**	33,350,500
Retained earnings (Deficit)	**152,941**	(1,056,062)
	125,153,441	32,294,438
TOTAL LIABILITIES AND EQUITY	**₱153,557,074**	₱33,361,465

See accompanying Notes to Financial Statements.

CARD MRI PROPERTY HOLDINGS, INC.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017 AND
FOR THE PERIOD FROM NOVEMBER 10, 2016 TO DECEMBER 31, 2016

	2017	2016
REVENUE		
Commission income (Note 11)	**₱2,926,185**	₱–
Other income (Note 12)	**699,584**	13,835
	3,625,769	13,835
OPERATING EXPENSES		
Depreciation (Note 7)	**551,286**	–
Compensation and fringe benefits	**451,652**	–
Service fee	**325,550**	–
Transportation and travel	**303,764**	6,137
Management and professional fees	**266,611**	50,000
Taxes and licenses	**150,127**	1,010,510
Janitorial and messengerial	**99,518**	–
Miscellaneous (Note 13)	**216,298**	483
	2,364,806	1,067,130
INCOME (LOSS) BEFORE INCOME TAX	**1,260,963**	(1,053,295)
PROVISION FOR INCOME TAX (Note 14)	**51,960**	2,767
NET INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,209,003**	(₱1,056,062)

*CARD MRI Property Holdings, Inc. was registered with Securities and Exchange Commission on November 10, 2016.

*There were no other comprehensive income items in 2017 and 2016.

See accompanying Notes to Financial Statements.

CARD MRI PROPERTY HOLDINGS, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 10)	**Retained Earnings (Deficit)** (Note 10)	**Total**
Balance at January 1, 2017	**₱33,350,500**	**(₱1,056,062)**	**₱32,294,438**
Issuance of capital stock	**91,650,000**	**–**	**91,650,000**
Total comprehensive income for the year	**–**	**1,209,003**	**1,209,003**
Balance at December 31, 2017	**₱125,000,500**	**₱152,941**	**₱125,153,441**
Balance at November 10, 2016	₱–	₱–	₱–
Issuance of capital stock	33,350,500	–	33,350,500
Total comprehensive loss for the year	–	(1,056,062)	(1,056,062)
Balance at December 31, 2016	₱33,350,500	(₱1,056,062)	₱32,294,438

*CARD MRI Property Holdings, Inc. was registered with Securities and Exchange Commission on November 10, 2016.

See accompanying Notes to Financial Statements.

CARD MRI PROPERTY HOLDINGS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND
FOR THE PERIOD FROM NOVEMBER 10, 2016 TO DECEMBER 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱1,260,963**	(₱1,053,295)
Adjustments for:		
Depreciation (Note 7)	**551,286**	–
Interest income (Note 12)	**(240,168)**	(13,835)
Changes in operating assets and liabilities:		
Increase in:		
Loans and other receivables	**(395,532)**	–
Other assets	**(1,526,013)**	(2,185,000)
Increase in accrued and other expenses payable	**27,336,605**	1,067,027
Net cash generated from (used in) operations	**26,987,141**	(2,185,103)
Interest income received	**240,168**	13,835
Income taxes paid	**(17,180)**	(2,767)
Net cash provided by (used in) operating activities	**27,210,129**	(2,174,035)
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisitions of investment properties	**(118,730,989)**	–
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of capital stock	**91,650,000**	33,350,500
NET INCREASE IN CASH AND OTHER CASH ITEMS	**129,140**	31,176,465
CASH AND OTHER CASH ITEMS AT BEGINNING OF YEAR	**31,176,465**	–
CASH AND OTHER CASH ITEMS AT END OF YEAR (Note 5)	**₱31,305,605**	₱31,176,465

*CARD MRI Property Holdings, Inc. was registered with Securities and Exchange Commission on November 10, 2016.

See accompanying Notes to Financial Statements.

CARD MRI PROPERTY HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS

1. General Information

CARD MRI Property Holdings, Inc. (the Company), was incorporated and duly registered with the Securities and Exchange Commission (SEC) on November 10, 2016. The Company's primary purposes are: (a) to engage in the business of a holding company, to promote, establish, operate, hold or own companies; to buy and hold shares of other companies; and (b) to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description.

The Company is a member of Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI).

The Company's principal office is at 20 M. L. Quezon Street, City Subdivision, San Pablo City, Laguna.

2. Summary of Significant Accounting Policies

Basis of Preparation
The Company's financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine peso (₱), which is the Company's functional currency and presentation currency. All amounts are rounded to the nearest peso unless otherwise stated.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). The Company qualifies as a SME under the criteria set by the Securities and Exchange Commission (SEC).

Change in Accounting Policies and Disclosures
2015 Amendments to the PFRS for SMEs
In August 2016, the Securities and Exchange Commission resolved to adopt the 2015 Amendments to the PFRS for SMEs as part of its rules and regulations on financial reporting.

Most of the amendments clarify existing requirements and add supporting guidance to the existing standard rather than change the underlying requirements. Among the most significant amendments to the standard are:
- Permitting SMEs to use the revaluation model to measure items of property, plant and equipment
- Aligning the recognition and measurement requirements for deferred income tax with full PFRSs
- Allowing SMEs to use the equity method to account for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements

The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The adoption of the 2015 Amendments to the PFRS for SMEs did not have a significant impact on the Company's financial statements.

Summary of Significant Accounting Policies

Cash and other cash items
This represents cash, cheques and deposits with local and commercial banks that earn interest at the respective bank deposit rates and are subject to insignificant risk of change in value.

Financial Instruments - Initial Recognition and Subsequent Measurement
Initial recognition of financial instruments
Financial instruments are recognized initially at the transaction price, including transaction costs except in the initial measurement of financial instruments that are measured at fair value through profit or loss (FVPL), unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, a financial instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Company classifies its financial instruments into the following categories: financial assets that are debt instruments measured at amortized cost, financial assets measured at FVPL, financial assets that are equity instruments measured at cost less impairment, financial liabilities measured at amortized cost, financial liabilities measured at FVPL and loan commitments measured at cost less impairment.

As of December 31, 2017 and 2016, the Company's financial assets that are debt instruments measured at amortized cost include 'Cash and other cash items' and 'Loans and other receivables' while financial liabilities measured at amortized cost include 'Accrued and other expenses payable'. As of December 31, 2017 and 2016, the Company has no financial assets that are equity instruments measured at cost less impairment, financial liabilities measured at FVPL and loan commitments measured at cost less impairment.

Determination of fair value
The best evidence of fair value is a quoted price for an identical asset in an active market, which is usually the current bid price. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the Company can demonstrate that the last transaction price is not a good estimate of fair value, that price is adjusted. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Financial assets that are debt instruments measured at amortized cost
The Company classifies debt instruments as those measured at amortized cost if all of the following conditions are met:

- Returns to the Company are:
    a. a fixed amount;
    b. a fixed rate of return over the life of the instrument;
    c. a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or
    d. some combination of such fixed rate and variable rates, provided that both the fixed and variable rates are positive. For fixed and variable rate interest returns, interest is calculated by multiplying the rate for the applicable period by the principal amount outstanding during the period;

- There is no contractual provision that could, by its terms, result in the Company losing the principal amount or any interest attributable to the current period or prior periods;

- Contractual provisions that permit the issuer to prepay a debt instrument or permit the Company to put it back to the issuer before maturity are not contingent on future events; and

- There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

After initial measurement, debt instruments shall be measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument (or a group of financial instruments) and of allocating the interest income over the relevant period. The interest income is recognized in the statements of comprehensive income.

Financial liabilities at amortized cost
Financial liabilities that have no stated interest rate and are classified as current liabilities are initially measured at an undiscounted amount.

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

Impairment of Financial Assets
At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in the statements of comprehensive income immediately.

The Company shall measure an impairment loss on instruments measured at amortized cost as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If subsequently, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the Company reverses the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Company recognizes the amount of the reversal in the statements of comprehensive income.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
- 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 under a 'pass-through' arrangement; or 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 the risk and rewards of the asset but has transferred the control over 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 over 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 pay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such 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 the statement of comprehensive income.

Investment Properties
Investment properties are carried at cost less accumulated depreciation and any impairment loss, except for land which is carried at cost less any impairment losses.

The initial cost of investment properties consist of its purchase price, including non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of Investment properties have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item Investment properties beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of Investment properties.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. Leasehold improvements are amortized over lease term and the shorter of the terms of the covering leases and EUL of the improvements.

The range of the EULs of the Investment properties follows:

Building	15 years
Land improvements	3 years

The depreciation method and the EULs are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of Investment properties.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against profit or loss.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income under – 'other income' in the period the asset is derecognized.

The carrying values of the Investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of income.

Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets such as property and equipment and software may be impaired. When an indicator of impairment exists, the Company estimates the recoverable amount of the impaired asset. The recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. The impairment loss is charged to statement of comprehensive income in the year in which it arises. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity

Capital Stock

Capital stocks are recorded at par. Proceeds in excess of par value are recognized under equity as "Additional paid-in capital" in the statement of financial position. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deficit

Deficit represents accumulated losses of the Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has assessed that it is acting as a principal in all of its revenue transactions. The following specific recognition criteria must also be met before income is recognized:

Commission income
Commission income consists of billings from construction and renovation facilitation, asset and property management, and property maintenance are recognized when services have been conducted and completed.

Rental income
These are receipts from rental of investment properties.

Interest income
Interest income on deposits in banks is recognized as interest accrues, taking into account the effective yield of the asset.

Expense Recognition
Expense is recognized in the statement of comprehensive income when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to same transaction or other event are recognized simultaneously. Expenses are recognized as incurred.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Company offers operating lease with long term period and provide escalation clauses in terms of rental income.

Income Taxes
Current tax
Current tax assets and current tax liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which deductible temporary differences and carryforward of unused excess of MCIT over RCIT and NOLCO can be utilized. Deferred tax asset, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to time value of money is recognized as 'Interest expense' in the statement of comprehensive income.

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

Events after the Reporting Period

Any post year-end events up to the date of approval of BOD that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non adjusting events, if any, are disclosed when material to the financial statements.

3. **Significant Accounting Judgments and Estimates**

The preparation of the Company's financial statements in accordance with PFRS for SMEs requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingencies, if any. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any changes in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectation of future events that are beyond to be reasonable under the circumstances.

Judgement

Principal versus agent

An entity is acting as principal if individually or in combination of the scenarios below:

a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order;
b) the entity has inventory risk before or after the customer order, during shipping or on return;
c) the entity has latitude in establishing prices, either directly or indirectly;
d) the entity the customer's credit risk on the receivable due from the customer.

In an agency relationship, the gross inflows of economic benefits often include the amounts collected on behalf of the principal and the amounts which do not result in increase in equity for the entity. The amounts collected on behalf of the principal are not revenue; instead revenue is the amount of commission. The Company recognized income from their service operations as commission income (Note 11).

Operating lease commitments as lessor

The Company has entered into commercial property leases on its investment properties. The Company has determined that it retains all significant risks and rewards of ownership of these properties considering the length of the lease term compared to the estimated useful life of the assets. The Company accordingly accounted for these as operating leases including the income recognized in these commitments.

Estimates

Recognition of deferred tax asset

A deferred tax asset is recognized only to the extent that taxable income will be available against which the deferred tax asset can be used or when there are sufficient taxable temporary differences which are expected to reverse in the same period as the expected reversal of the deductible temporary differences.

As at December 31, 2017 and 2016, the Company cannot reasonably estimate available future taxable income for which the available deferred tax asset can be recovered, in effect, the Company did not set up deferred tax asset.

4. Fair Value Measurement and Fair Value Hierarchy

Fair Value Measurement
As of December 31, 2017 and 2016, except as discussed below, the carrying values of property holding financial assets and financial liabilities as reflected in the statements of financial position and related notes approximate their fair values.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The methods and assumptions used by the Company in estimating fair values of financial instruments and nonfinancial asset for which fair value is disclosed are as follows:

Fair Value Hierarchy
The following table summarizes the carrying values and the fair values by level of the fair value hierarchy of the Company's significant long term assets as of December 31, 2017 for which fair values are required to be disclosed.

	2017				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets for which fair values are disclosed:					
Financial asset					
Loan receivables	**₱2,530,000**	**₱–**	**₱–**	**₱3,194,067**	**₱3,194,067**
Nonfinancial asset					
Investment properties	**118,179,703**	**–**	**–**	**118,179,703**	**118,179,703**

Cash and other cash items, and receivables
Fair values of these financial instruments approximate their carrying values in view of the short term maturities of these instruments.

Noncurrent portion of loan receivable
Fair values of noncurrent portion of loan receivable is estimated using the discounted cash flow methodology using interest rates offered for similar loans to borrowers with similar credit ratings and taking into account the remaining maturities.

Investment properties
The fair value of investment properties approximates its costs as the Company purchased the land and completed the construction on 2017. All investment properties were acquired as at 2017 approximating their carrying value as fair value.

5. Cash and Other Cash Items

This account consists of:

	2017	2016
Cash on hand and other cash items	**₱642,359**	₱–
Cash in banks	**30,663,246**	₱31,176,465
	₱31,305,605	₱31,176,465

Other cash items consist of cheques received and was not deposited in bank as at December 31, 2017.

Cash in banks represent deposit with a local bank and commercial bank which earns an annual interest rate at 1.5% and 0.25% in 2017 and 2016. Interest income from cash in banks amounted to ₱85,899 and ₱13,835 in 2017 and 2016 (see Note 12).

6. Loan and Other Receivables

As at December 31, 2017, this account consists of:

Loan receivable	**₱2,530,000**
Accrued rent	**36,828**
Accounts receivable	**13,704**
	₱2,580,532

The loan receivable earns an annual interest of 6.00%. Interest income on loan receivable is presented under 'Other income' in the statement of comprehensive income amounted to ₱0.15 million in 2017 (Note 12).

7. Investment Properties

As of December 31, 2017, the composition of and movements in this account follow:

	Land	Building	Land Improvements	Construction in Progress	Total
Cost					
Balance at January 1	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Additions	**96,886,453**	**18,251,964**	**1,172,929**	**2,419,643**	**118,730,989**
Balance at December 31	**96,886,453**	**18,251,964**	**1,172,929**	**2,419,643**	**118,730,989**
Accumulated Depreciation					
Balance at January 1	–	–	–	–	–
Depreciation	–	**403,501**	**147,785**	–	**551,286**
Balance at December 31	–	**403,501**	**147,785**	–	**551,286**
Net Book Value	**₱96,886,453**	**₱17,848,463**	**₱1,025,144**	**₱2,419,643**	**₱118,179,703**

Rental income from investment properties amounted to ₱0.46 million and nil in 2017 and 2016, respectively (Note 12).

8. Other Assets

This account consists of the following:

	2017	2016
Input VAT	**₱1,362,213**	₱–
Prepaid taxes	**78,506**	–
Creditable withholding taxes	**32,814**	–
Supplies on hand	**12,405**	–
Security deposit	**5,296**	–
Earnest money	–	2,185,000
	₱1,491,234	₱2,185,000

Earnest money relates to purchase arrangement made with a third party for a lot located in Tayabas, Quezon in 2016.

9. Accrued and Other Expenses Payable

This account consist of:

	2017	2016
Accounts payable	**₱27,955,218**	₱1,017,027
Accrued expenses	**211,171**	50,000
Withholding tax payable	**186,018**	–
Security deposit	**48,236**	–
Employee contributions payable	**2,990**	–
	₱28,403,633	₱1,067,027

Accounts payable represents amount payable to land owners, contractors and suppliers and SEC. Accrued other expenses represents accrual for VAT and withholding taxes.

10. Equity

Capital Stock
This account consists of:

	2017		2016	
	Shares	**Amount**	Shares	Amount
Common stock - P100 par value				
Authorized - 5,000,000 shares				
Issued and outstanding	**1,250,005**	**₱125,000,500**	333,505	₱33,350,500

Capital Management
The Company's objectives when managing capital are (a) to safeguard the Company's ability to continue as a going concern; (b) to support the Company's stability and growth by maintaining strong credit ratings and healthy capital ratios; and (c) to provide capital for the purpose of strengthening the Company's risk management capability to support and sustain its business growth towards maximizing the shareholder's value.

Minimum Capital Requirement
The Company considers its equity as its capital and is not subject to any externally imposed regulatory capital requirements.

11. Commission Income

For the year ended December 31, 2017, this account consists of:

Construction and renovation facilitation	**₱1,844,039**
Property maintenance	**576,597**
Asset and property management	**505,549**
	₱2,926,185

12. **Other Income**

This account consists of:

	2017	2016
Rental income (Note 7)	**₱459,416**	₱–
Interest income from:		
Loan receivable (Note 6)	**154,269**	–
Cash in banks (Note 5)	**85,899**	13,835
	₱699,584	₱13,835

13. **Miscellaneous**

This account consists of:

	2017	2016
Insurance	**₱63,002**	₱–
Supplies used	**42,717**	–
Training and development	**40,692**	–
Surveying cost	**40,000**	–
Operating lease	**10,260**	–
Communication and postage	**7,352**	–
Others	**12,275**	483
	₱216,298	₱483

Others includes notarial fees, bank charges, corporate gifts and other processing fees.

14. **Income Taxes**

Under Philippine tax laws, the Company is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of comprehensive income) as well as income taxes. Income taxes include final tax paid at the rate of 20.00%, which represents final withholding tax on gross interest income from deposits in banks.

Republic Act (RA) No. 9337, *An Act Amending Internal Revenue Code*, provides that the regular corporate income tax rate shall be 30.0%.

The regulations also provide for MCIT of 2.0% on modified gross income and allow a NOLCO. The carryforward of unused tax credits from excess of MCIT over RCIT and unused NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception. The Company will be subject to MCIT beginning on the fourth taxable year immediately following the year in which the Company commenced its business operations.

Provision for income tax consists of:

	2017	2016
RCIT	**₱34,780**	₱–
Final tax	**17,180**	2,767
	₱51,960	₱2,767

Section 30 of the Tax Code, organization and pre-operating expenses of a corporation are considered as capital expenditures and are, therefore, not deductible in the year they are paid or incurred. As a matter of accounting practice, said expenses may be treated as deferred expenses and deducted for over a period of not less than sixty (60) months beginning with the first month the corporation is actively in business. Therefore, taxpayers who pay or incur business start-up expenditures and subsequently enter the trade or business to which the expenditures relate can elect to amortize these expenditures over a period of not less than sixty (60) months. The amortization period commences with the month in which the business begins.

As at December 31, 2016, the Company did not recognize deferred tax asset on NOLCO of ₱1.07 million. NOLCO was used against 2017 taxable income.

The reconciliation of statutory income tax to effective income tax follows:

	2017	2016
Statutory income tax	**₱378,289**	(₱315,989)
Tax effects of:		
Non-deductible expenses	**2,400**	–
Tax paid income	**(8,590)**	(1,383)
NOLCO	**(320,139)**	320,139
Effective income tax	**₱51,960**	₱2,767

15. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including rental, maintenance and facilitation services, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

The Company has no related party transaction with key management personnel and stockholders as at December 31, 2017 and 2016.

Details on significant related party transactions of the Company follow:

	December 31, 2017		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accounts receivable		₱13,704	These are the facilitation for the construction of building, building maintenance, aircon cleaning and maintenance, asset and property management.
Charges	₱3,323,076		
Collections	3,309,372		
Security deposit		5,296	This pertains to security deposit for a leased computer with CARD Leasing and Finance Corporation.
Accounts payable		13,258,400	These pertain to share of expenses during management committee meetings, SEC registration and business permits; and accounts payable related to purchase of property in General Santos City and Barleta, San Pablo City, Laguna.
Charges	14,511,227		
Payments	1,252,827		
Commission income	2,926,185		These pertain to income from overseeing the construction of buildings, building maintenance, aircon cleaning and maintenance, asset and property management.
Rental income	459,516		This pertains to rental fee of building in Victoria, Oriental Mindoro.
Rental Expense	10,260		This pertains to rental of computer desktop.

The Company's related party transactions pertain to advances from its shareholder amounting to ₱1.02 million as at December 31, 2016. These represent expenses paid by the shareholders on behalf of the Company. These advances are non-interest bearing and due and demandable.

16. Approval of the Release of the Financial Statements

The accompanying financial statements were authorized for issue by the Board of Directors of the Company on March 9, 2018.

17. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2017:

Taxes and Licenses
The components of 'Taxes and licenses' in 2017 follow:

Business permit	₱132,879
Land title processing	9,248
Others	8,000
	₱150,127

Value-Added Tax and Withholding Taxes

Details of total remittances of value-added and withholding taxes are made during the year and outstanding as of December 31, 2017 are as follows:

	Paid	Payable
Value-added tax	₱305,282	₱95,826
Expanded withholding tax	239,056	59,912
Withholding taxes on compensation and benefits	34,716	30,280
	₱579,054	₱186,018

Tax Assessments and Cases

As at December 31, 2017, the Company has no deficiency tax assessments and has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.