arn BUILDERS

COMPANY PROFILE

...building roads to economic progress
...building facilities to complement business
...building homes for social development
...playing a vital role in nation building

2013

Manila Office Address:

Unit 303 Westwood Condominium, Eisenhower St.,
San Juan, Greenhills, Metro Manila
Tel.: (02) 744-8108; Email: arnbuilders@yahoo.com

Cebu Office Address:

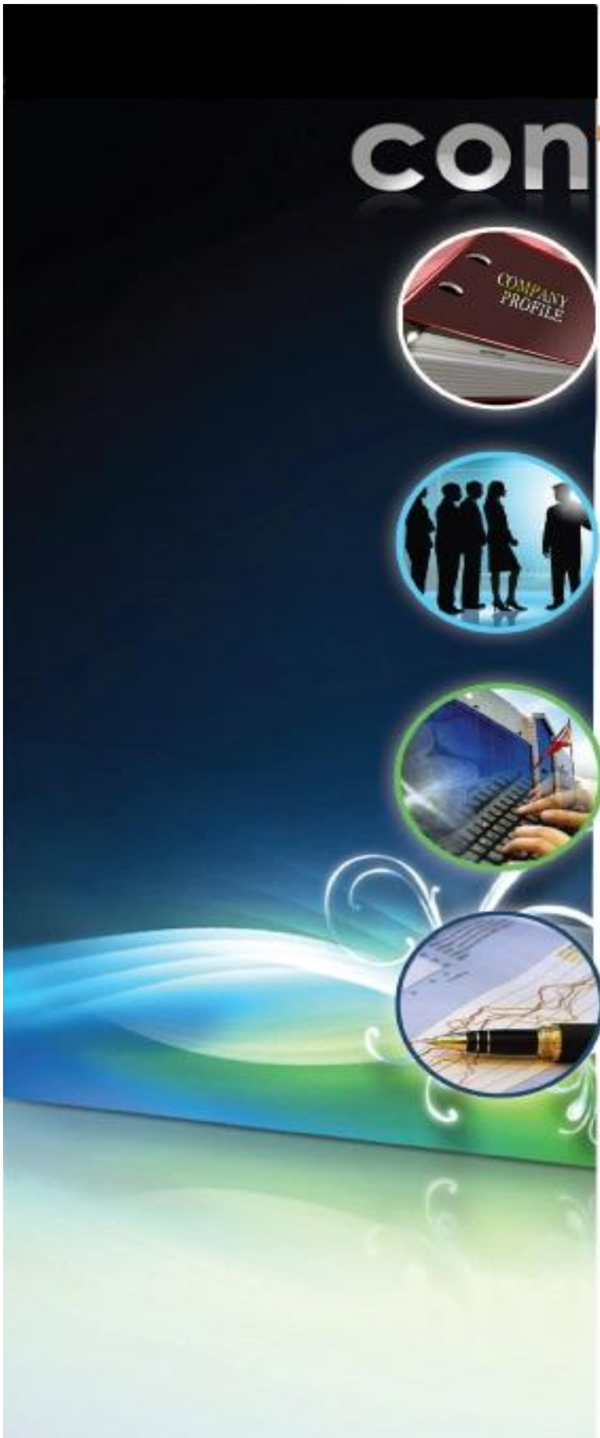
Door 206, Northgate Center, Banilad, Cebu City
Tel.No.: (032)-4181088
Email: arnbuilders@yahoo.com

SUBSIDIARIES / AFFILIATES

John Arne Construction

Islander Water Resources, Inc.

contents



Mission

Arn Builders is in the business of constructing horizontal and vertical structures, estimating and analyzing costs.

Our clients are the main reason of our existence and our officers, employees, sponsors, suppliers and service providers are the life of our firm.

The eternal search for service excellence is our way of conducting business and the unwavering client satisfaction is our goal.

Above all, GOD ALMIGHTY shall always be at the center of our lives, transcending and guiding our goals and objectives.

Vision

To render customers a complete resource to answer their construction needs.

Business Commitments:

1. Provide clients innovative, high quality but cost effective designs and estimates according to their demands

2. T To give reliable and comprehensive service
- faster response to technical needs
- improve productivity through teamwork

3. Always proactive in operating cost reduction
- optimization of material and service utilization
- reduce labor dovontimes
- provide training, seminars to enhance workers awareness.

4. Work closely and in transparency with clients for long term relationship

5. Maintain constant communications with clients for better understanding

Goals:

In ARN Builders we always strive to achieve these goals:

• quality service, quality construction through quality employees, workers and equipment

• harmonious relationship with our communities anchored on moral and social responsibilities

• reliable, competent and responsible construction company

arn builders

Objectives:

- **Clients Satisfaction Objective**
  - to provide efficient service and quality construction

- **Profit Objective**
  - to provide sufficient profit to finance the firm's growth and to provide the resources we need to attain other objectives.

- **Growth Objective**
  - to achieve growth to allow us to satisfy and fulfill our clients needs

- **Management Style Objective**
  - to develop managers who are customer-focused, proactive, result-oriented,safety- concious and to provide an environment that promotes teamwork

- **People Objective**
  - to recognize the individual and team achievements and help them gain sense ofsatisfaction and accomplishments from their work

- **Social and Environmental Responsibility Objective**

  - to honor our commitment to society and the world in which we live in by being a responsible corporate citizen.

ARN BUILDERS


Business Registration
Certificates
COMPANY
PROFILE

REPUBLIC OF THE PHILIPPINES

SECURITIES AND EXCHANGE COMMISSION

CEBU EXTENSION OFFICE

Cebu City

COMPANY REG. NO. CS200417997

CERTIFICATE OF FILING
OF

AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

ARN BUILDERS, INC.
(Formerly: DENZELL ARN BUILDERS, INCORPORATED)
(Amending Articles I of the original articles of incorporation thereof)

copy annexed, adopted on *September 24, 2008* by a majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/ broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

This certificate is a replacement certificate of the Certificate of Filing of Amended Articles of Incorporation approved on *February 16, 2009* which erroneously states the former name as ARN BUILDERS, INCORPORATED instead of DENZELL ARN BUILDERS, INCORPORATED.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Cebu City, Philippines, this 12th day of June, Two Thousand Nine.

MERLE P. CUNANAN
Director
SEC CEBU OFFICE

Republic of the Philippines
Department of Trade and Industry
CONSTRUCTION INDUSTRY AUTHORITY OF THE PHILIPPINES
PHILIPPINE CONTRACTORS ACCREDITATION BOARD
Makati City, Metro Manila

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CONTRACTOR'S LICENSE

This certifies that

ARN BUILDERS, INC.

having complied with all the requirements for licensure in accordance with Republic Act No. 4566, as amended, and its implementing rules and regulations, is hereby authorized to engage in the construction contracting business in the Philippines, subject to limitations of license validity period, classification and category as prescribed under License Particulars in the box to the right hereof and to the terms and conditions annotated at the back hereof.

CONTRACTOR'S PARTICULARS

Authorized Managing Officer (name and signature): Arnold T. Espinoza	NOT VALID w/o SIGNATURE
Sole Proprietorship/Partnership/Corporation: Corporation	Head Office Location (Region): REGION 7
Taxpayer Identification Number (TIN): 235-126-687	

LICENSE PARTICULARS

License First Issue Date and Number: May 02, 1995	No. 18930
Validity Period of this License/Renewal: July 01, 2012 to June 30, 2013	
Principal Classification and Category: General Building	AAA
Others Classification/s: General Engineering	

2012-2013

This further certifies that said licensee, subject to the limitations of the above-prescribed license validity period and registration validity period, kind/s of project and size range/s as indicated under Registration Particulars in the box to the right hereof, is a PCAB registered contractor for government projects.

REGISTRATION PARTICULARS

Registration Date and Number: December 17, 2010 No. 2010-1154

Validity Period of this Registration: December 17, 2012 to December 17, 2013

Kinds of Project and Respective Size Ranges

Road, Highway pavement, Railways	
Airport horizontal structures & Bridges	Large B
Irrigation and Flood Control	Large B
Dam, Reservoir and Tunneling	Large B
Water Supply	Large A
Water Treatment Plant & System	Large B
Port, Harbor & Offshore Plant	Medium B
Building and Industrial Plant	Large B
Park, Playground and Recreational Work	Small B

Above Project Kinds and Size Rangers are based on Board Resolution No. 001, s. 2004

Given at Metro Manila, Philippines, On September 14, 2012

FAROUK M. MACARAMBON, SR.
Member

ANN CLAIRE C. CABOCHAN
Director-in-Charge

CONSOLACION C. VILLAFUERTE
Board Secretary

PHILIPPINE CONTRACTORS ACCREDITATION BOARD
CERTIFIED TRUE COPY
CAROLINA C. SAUNAR
Supervising-TIDS
DATE:

FORM 12- 02594

IMPORTANT NOTICE: Filing schedule for license renewal application - August 2013

PILIPINAS SHELL PETROLEUM CORPORATION
Shell House, 156 Valero St., Salcedo Village, Makati City

in cooperation with

AS ENRIQUEZ ENGINEERING CONSULTANCY

CERTIFICATE OF ATTENDANCE

Presented to

ARNOLD T. ESPINOSA

In recognition of his/her successful completion of the

Project Management Seminar

Given this 14th day of March 1997
at Baseline Restaurant, Juana Osmeña St., Cebu City

ARMANDO M. TAACA
Project Engineer

NESTOR P. OLAVARIO
Head, Retail Construction Project

PILIPINAS SHELL PETROLEUM CORPORATION
Shell House, 156 Valero St., Salcedo Village, Makati City

in cooperation with

U-NEED GENERAL SERVICES

CERTIFICATE OF ATTENDANCE

Presented to

ARNOLD T. ESPINOZA

In recognition of his/her successful completion of the

Basic Safety Training Course

Given this 15th - 16th day of February 1997
at Baseline Restaurant, Juana Osmeña St., Cebu City

LEODEGARIO C. MACAPILI
Lecturer/Trainer

Republic of the Philippines
Department of Labor and Employment
REGIONAL OFFICE NO. 7
Cebu City

This

Certificate of Registration

Numbered VII-859-0500-405

is issued to

ARN BUILDERS
Rm. 2101 Rivergate Commercial Complex,
Mango Avenue, Cebu City

for having complied with the requirements as provided for under the Labor Code, as amended, and its Implementing Rules and having paid the registration fee in the amount of ONE HUNDRED PESOS (P100.00) per Official Receipt Number 3974888, *dated* May 15, 2000.

In witness whereof, and by authority vested in me by the Labor Code, as amended, and its Implementing Rules specifically Department Order No. 10 series of 1997, I have hereunto set my hand and affixed the Official on this 15th *day of* May, ~~19~~ 2000.

MELENCIO Q. BALANAG
Regional Director

REPUBLIC OF THE PHILIPPINES
OFFICE OF THE PRESIDENT

Social Security System
QUEZON CITY

Certificate of Membership

GREETINGS:

This is to certify that

ARN BUILDERS
ID No. 06-1690518-8 DOC 12-94
4/GMT Bldg. Cor. Junquera & P. del Rosario Sts. Cebu City

has been duly admitted as a member of the Social Security System. As such all the covered employees and workers thereof are entitled to all the benefits and privileges appurtenant to membership in the System pursuant to and in accordance with the provisions of Republic Act Numbered Eleven hundred and sixty-one as amended.

Given under the hand and seal of the Social Security System this 14th *day of* December, *A.D. 19*94

EMETERIO C. ROA, JR
Chairman

RENATO C. VALENCIA
Administrator

BIR
Form No. 2303
Revised July 1997

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS
REVENUE REGION NO. 13
REVENUE DISTRICT NO. 081

2RC0000198223
OCN

CERTIFICATE OF REGISTRATION

TIN	NAME	REGISTRATION DATE
235-126-687-000	ARN BUILDERS, INC.	12/10/2004

REGISTERED ADDRESS: RIVERGATE COMMC'L. CMPLX. MANGO AVE. ZAPATERA CEBU CITY 6000

REGISTERED ACTIVITY(IES)

INCOME TAX
VALUE - ADDED TAX
WITHHOLDING TAX - EXPANDED/OTH
REGISTRATION FEE
WITHHOLDING TAX - COMPENSATION

TRADE NAME	LINE OF BUSINESS / INDUSTRY
ARN BUILDERS, INC.	4520 BUILDING OF CONSTRUCTIONS OR PARTS, CIVIL ENGINEERING

TAXPAYER TYPE: CORPORATION
SEC REG. CS200417997
DATE REG. 12/10/04
C.O.R. ISSUED ON: 07/14/99 (UPDATE)

REMINDERS:

Renewal of **Annual Registration Fee** is due on or before **January 31**, using **BIR Form 0605.**
Filing of required **Tax Return/s to conform with the above registered tax types on due dates whether with or without operation,** to avoid penalties and generation of open cases
IMMEDIATELY inform this District Office in case of Transfer / Cessation of business and other concerns by filing **BIR Form 1905** to stop generation of open cases.
WITHIN 30 DAYS from Registration Date, the following should be accomplished:
1. AUTHORITY TO PRINT Invoices / Receipts (BIR Form 1906).
2. Registration of BOOKS OF ACCOUNTS (BIR Form 1905).

15 JUL 2009
DSJ2008
0002889082
15 JUL 2009

I HEREBY CERTIFY THAT THE ABOVE NAMED PERSON IS REGISTERED AS INDICATED ABOVE, UNDER THE PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED.

WILFREDO V. PILAPIL
Asst. Revenue District Officer
EVANGELINE S. ABANILLA

REVENUE DISTRICT OFFICER (signature over printed name)

THIS CERTIFICATE MUST BE EXHIBITED CONSPICUOUSLY IN THE PLACE OF BUSINESS

EN

REPUBLIC OF THE PHILIPPINES
CITY OF CEBU
OFFICE OF THE MAYOR

BUSINESS PERMIT

PERMIT NO.: 033908 CY 2013 DATE ISSUED MAR 5 BUSINESS TAX PLATE NO.

NAME OF PERMITEE: REP.BY:ESPINOZAARNOLD TIN: 168-288-920

BUSINESS/TRADE NAME: ARN BUILDERS INC.

AUTHORIZED REPRESENTATIVE: CAPITAL: 1,000,000.00

BUSINESS ADDRESS: RM 204 NORTHGATE CTR GOV.M CUENCO AVE.CC TEL. NO.: 2561115

Number

FORM OF OWNERSHIP: CORPORATION ☐ Main ☐ Branch

NATURE OF BUSINESS	GROSS SALES / RECEIPTS / CAPITAL INVESTMENTS
SERVICES (GENERAL CONTRACTOR)	5,500,000.00

VALID UNTIL DECEMBER 31, 2013

/AECHAVEZ

ENDORSED:

3/11/13

EMMA C. VILLARETE 3/11/13

CITY TREASURER

APPROVED:

MICHAEL L. RAMA

CITY MAYOR

BY AUTHORITY:

3/11/13

JANE C. ABARQUIEZ

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
COLLECTION ENFORCEMENT DIVISION
National Office
Quezon City

BIR Form. No. 17.14B

TAX CLEARANCE

FOR BIDDING PURPOSES

(Required Under Executive Order No. 398, as implemented by Revenue Regulations No. 3-2005)

ARN BUILDERS, INC.
Name of Taxpayer

RIVERGATE COMMERCIAL COMPLEX MANGO AVE. ZAPATERA CEBU CITY
Address

235-126-687-000
Taxpayer Identification Number

THIS IS TO CERTIFY THAT THE ABOVE MENTIONED TAXPAYER HAS NO LISTED TAX LIABILITY BASED ON THE FOLLOWING:

- TAX DELINQUENCY VERIFICATION ISSUED BY THE REVENUE DISTRICT OFFICE NO 81, CEBU CITY NORTH, AS OF **January 10, 2013**.
- ACCOUNTS RECEIVABLE/DELINQUENT ACCOUNT DATABASE UPDATED AS OF **September 30, 2012**.

TAX LIABILITIES RECORDED AFTER THE AFORESAID DATES OR OUTSIDE THE JURISDICTION OF THIS OFFICE ARE NOT COVERED BY THIS CLEARANCE.

ISSUED THIS **24th** DAY OF **January 2013**.

ROSANA P. SAN VICENTE
CHIEF, COLLECTION ENFORCEMENT DIVISION

TCC NO. 01-24-P018-R01294-2013

NOT VALID WITHOUT BIR DRY SEAL

0254313 38

NOTE: THIS CERTIFICATE SHALL BE VALID AND EFFECTIVE FROM JANUARY 24, 2013 UNTIL JULY 23, 2013 ONLY, AND THIS SHALL NOT BE USED ON SALE/TRANSFER OF REAL PROPERTY/IES. CERTIFICATION FEE OF P100.00 WAS PAID ON JANUARY 04, 2013 UNDER eFPS PAYMENT TRANSACTION NO. 134750205. ANY ERASURE MADE ON THIS TCC SHALL RENDER IT NULL AND VOID.

Republic of the Philippines
Department of Budget and Management
PROCUREMENT SERVICE

CERTIFICATE OF REGISTRATION

THIS IS TO CERTIFY THAT

ARN BUILDERS, INC.
2F Northgate Center, Banilad,
Cebu City

as a business name or firm was registered in the ***PHILIPPINE GOVERNMENT ELECTRONIC PROCUREMENT SYSTEM (PhilGEPS)*** *on August 24, 2006 in accordance with Section 8.5 of the Implementing Rules and Regulations of Republic Act 9184, otherwise known as the Government Procurement Reform Act, which took effect October 08, 2003. This registration will expire on September 11, 2013.*

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of the PhilGEPS to be affixed at Pasig City, Philippines, this *11th* day of *September*, in the year of our Lord *2012*.

Not valid without the official seal

ESTANISLAO C. GRANADOS, JR.
Executive Director IV

Certificate No: PhilGEPS - 2006 - 31621

Original

Owner's Profile

Born on February 23,1963 to Emilio and Ceferina Espinoza, "Arn" as he is fondly called by relatives and friends, is a native of Tago, Surigao del Sur. He is the eight of nine children. Although life had been tough during his childhood years, Arn managed to finish his primary and secondary studies at Mga Bayani Elementary School and La Purisima School, respectively. After which, he was encouraged to join the priesthood school of St. Peter Seminary in Butuan City. After a few years he decided that the priesthood was not his vocation, so he came to Cebu City in search of a better education.

Arn, wishing to become an engineer someday, took up Civil Engineering at the University of the Visayas. Because his family could not support his financial needs for school and board and lodging, he worked as a newspaper delivery boy to various government offices by day and a waiter by night at the famous Lighthouse Restaurant Relying on these supports, he graduated in 1986 and passed the board in Civil Engineering the following year.

With an above-average scholastic records, he was hired by the Cebu City Engineering Office as a Civil Engineer Aide for drafting and estimating right after he graduated. And being honest and hard working, he was oftentimes tasked as an immediate Supervisor in the absence of the Site Engineer. After only a year, he was promoted to a Site Engineer. His duties and responsibilities then were supervising the project's implementation, approving measurements and quantities, justifying change orders and extra works, ensuring quality control and monitoring the contractor's schedule of accomplishments in relation to its progress billing. For the next entire year and a half, he finished the supervision of several projects like roads, bridges, seawall, school buildings, a public market, and a seaport. These experiences would later on contribute to his knowledge and expertise in managing his own construction business.

In September 1988, he was hired by the Philippine Tourism Authority, as the Project Engineer and Vice Chairman of the Pre-qualification Board and Awards Committee (PBAC) of the agency's construction projects. This time, his job entailed more authority and had the final decision as to who their agency's projects were to be awarded to. After this term, he remembered quite well the necessary factors or elements that could ensure a contractor's success in bidding for projects, which he would later on apply and practice in his construction business.

An important milestone of Engr. Espinoza's life came in 1993 when he was finally married to his long time sweetheart, Ms. Narisa Balili. A native of Bohol, Narissa was then employed as the executive secretary of the president of NEC Phils., one of the pioneer firms at the Mactan Export Processing Zone. Their successful marriage is blessed with three children Arnhiza Nikki, 17, and Denzell John Arne, 14, and Nena Rhiza, 4. Their marriage paved the way to his decision to work for a private firm in search for better life.

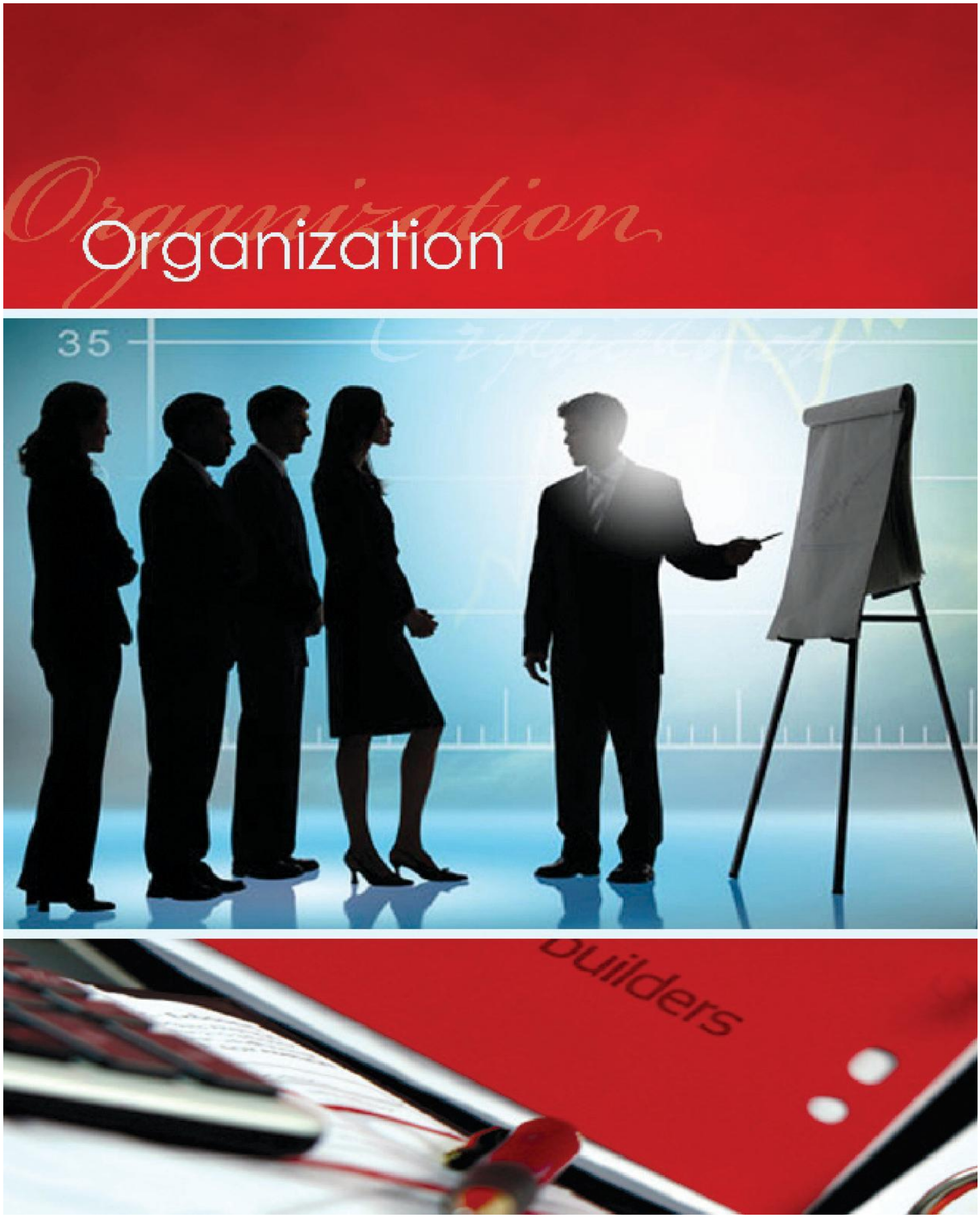
In January 1990, Engr. Espinoza's services were easily integrated into the firm of B.C. Poblete Construction. As a resident engineer, his duties and responsibilities included the preparation of estimates for public bidding and other regular functions of a project engineer. With dedication and loyalty to the company, he successfully implemented several remarkable projects like a mini dam, a port, a water system, a modern residential home, and a large sports complex.

His expertise and knowledge brought him to a larger firm of Trans-Asia (Phils.) Inc. Engineering Consultants. During his short stint with the company, he worked as an assistant to the resident engineer. The sole, yet large project they jointly implemented was the Tagbilaran-Trinidad Road and Bridge Rehabilitation Project costing P57 Million. In May 1992 he transferred to Miranda Construction as a resident engineer of two bridges and an asphalting road project. His last employment was with the Construction Consultants Corporation (Engineering Consultants) as an Area Engineer for their biggest project at that time, i.e., the Sogod-Maharlika Highway costing P163.7 M.

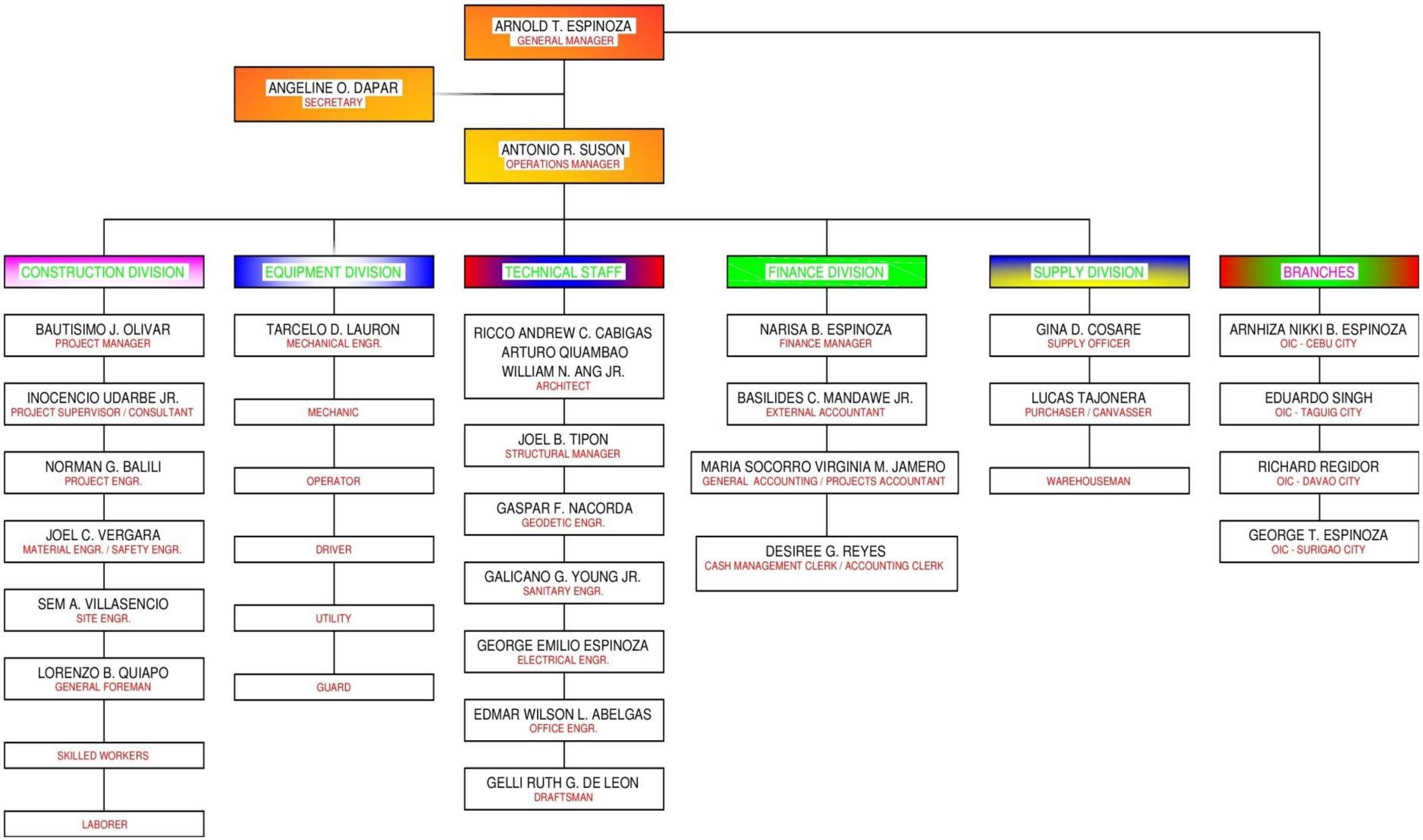
By this time, he had enough experience to be on his own. Thus, on April 1992 Engr. Espinoza started his own construction business by sub-contracting large projects or by leasing construction licenses to join public biddings. With a meager capitalization of approximately P50 thousand, he would look for financers to be his partner or seek the financial back up of lending institutions to support his projects. His experiences and background were more than enough to help convince the prospective sponsors to join him in his quest for better undertakings. Likewise, his previous employment with private construction firms and engineering consultants taught him enough knowledge and experience in managing a construction business.

Although all of his construction projects during this period were successfully implemented and accomplished, not all were financially rewarding. As expected, he was still learning the in-depth part of a contractor-entrepreneur. Nevertheless, his dream of having his own construction firm was realized upon the release of his construction license on March 2,1995, a small step that was later would bring him the the "AAA" license with better financial back up and stability.

Started with a small capitalization of P150 thousand in 1995, but with strong determination, hard work, honesty, dedication and perseverance, ARN Builders began constructing government and some privately-owned projects which would sum up to a total of P 607 Million worth of accomplished projects to date. This excludes current on-going projects worth about another P470.21 Million. The rest of the proprietor's undertakings and how he has managed to attain his goals can be found in the company profile. More so, much thereof is being reflected in the fiinancial statements on how the success came to be P 85 Million in a few years time. At present the thrust and commitment are to further improve the engineering excellence, accomplishments and financial stability and liquidity of the firm.


Organization
Organization
35
builders

ORGANIZATIONAL CHART

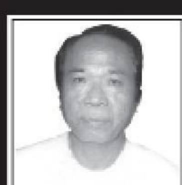


arn builders

Key Personnel

ARNOLD “arn” ESPINOZA
General Manager
Civil engineer

ANTONIO “tony” SUSON
Operations Manager
Civil engineer
Expertise - Road and Bridges Construction

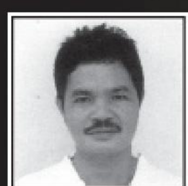


ARTEMIO “artem” PERALTA
Project Supervisor
Civil engineer
Expertise - Dams, Irrigation, Reservoir, and Pipelines engineering”

ARN BUILDERS

arn builders

INOCENCIO “ino” UDARBE, JR.
Project Supervisor
Civil Engineer
Expertise - Site Development

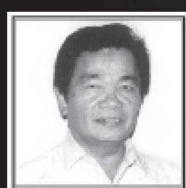


NORMAN “nor” BALILI
Project Manager
Civil Engineer
Expertise - Parks
and Playground Development

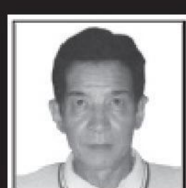
JOEL “jo” TIPON
Project Engineer
Civil Engineer
Expertise - Ports
and Bridges Engineering

ARN BUILDERS

GLEE “gle” BUMAAT
Project Engineer
Civil Engineer
Expertise - Building Construction



MANUEL “manny” BALILI
Resident Architect
Architect
Expertise - High End Commercial and Residential Building



ARTURO “art” QUIAMBAO
Resident Architect
Architect
Expertise - U.S. Based Structure Development

ELMERADO “ado” MANUKIL
Resident Architect
Architect
Expertise - Mass Base Housing and Government Bldg.

Support Group

I. TECHNICAL:

a.) WILLIAM ‘jun” ANG, Jr.
Project Architect

b.) POLICARPIO “ai” NAVAREZ
Site Engineer

c.) TARCELO “tars” LAuron
Mechanical Engineer

d.) GASPAR “par” NACORDA
Geodetic Engineer

e.) GEORGE ESPINOZA
Civil Engineer

f.) GALICANO “noynoy” YOUNG, JR
Sanitary Engineer

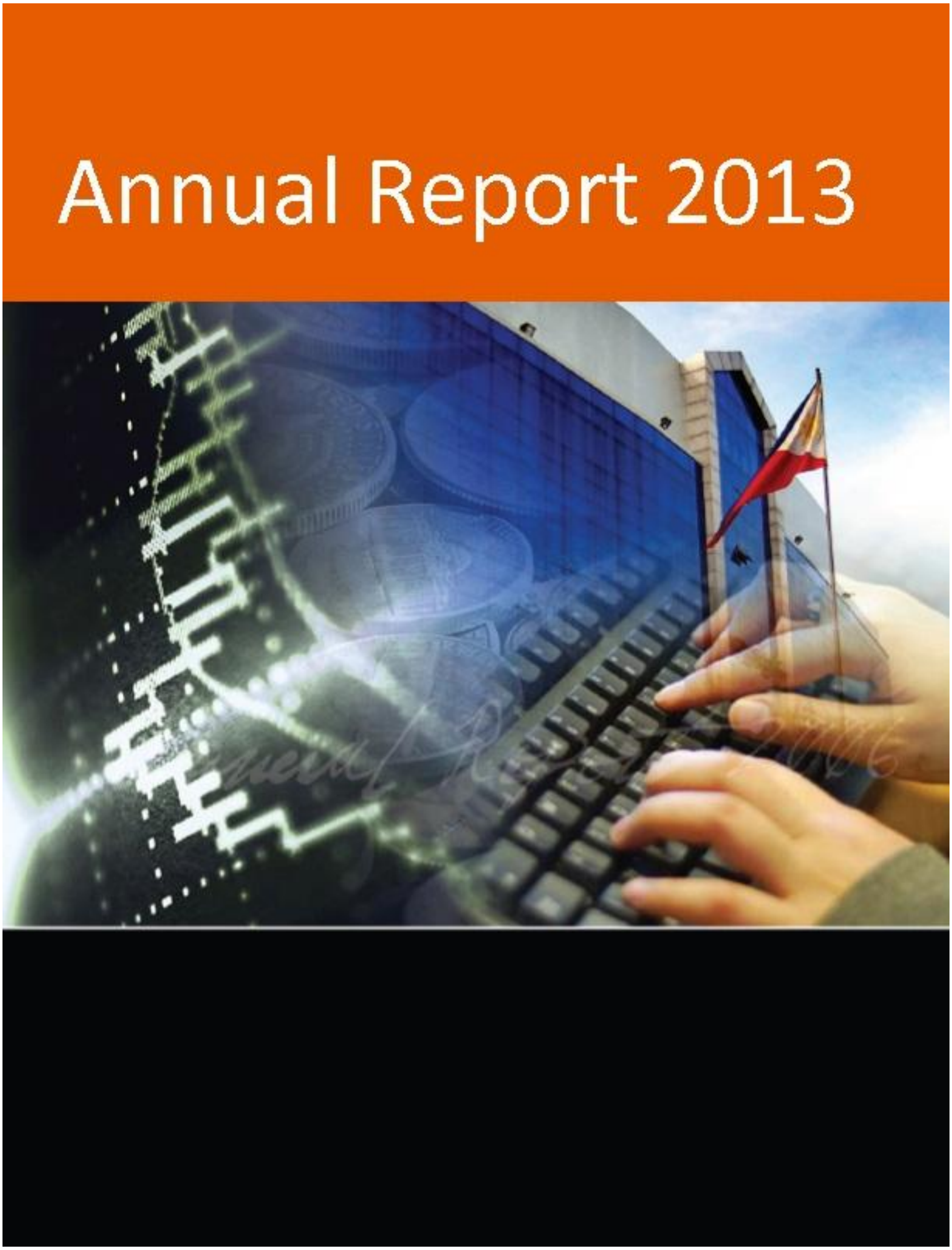
g.) EMILIO “george” ESPINOZA, JR.
Electrical Engineer

h.) BONIFACIO “boni” BORJA, JR.
CAD Operator

i.) LOIDA VILLEGAS
CAD Operator

II. FINANCE:

a.) BASILIDES “basil” MANDAUE
Accountant


Annual Report 2013

On-going Projects

ON GOING PROJECT OF ARN BUILDERS

Contract ID No.	Name of Project	Location	Date Awarded	Accomplishment	Contract Amount	Client
11 JB 0019	Construction of Seawall along Coastal Area, Poblacion, Manukan to Manukan River, Phase 2	Poblacion East Manuk Zamboanga del Norte	26-Jan-12	40.12%	40,574,212.17	DPWH Region 9
11 NG 0033	Improvement/Concreting of Socorro-Nueva Estrella Pamosaingon Road Sta 4+450-Sta 5+520	Socorro, Surigao del N	23-Feb-12	77.56%	22,511,579.65	DPWH 2nd Surigao del Norte Engineering District
12 LO 0018	Construction of Lugusan Bridge and Approaches along Surigao del Sur Bdry- Davao Oriental Coastal Road	Davao Oriental	4-May-12	41.80%	27,686,578.01	DPWH Region 11
12 KO 0004	Rehab/Reconstruction/Upgrading of Damaged Paved National Road Generated from PMS/(HDM-4) (Intermittent Section) Sayre Highway, Damulog, Bukidnon	Damulog, Bukidnon	18-May-12	71.15%	48,432,776.27	DPWH Region 10
12 NC 0011	Repair of Langkilaan Road Depression/Settlement alor Daang Maharlika Road (Agusan-Davao Section) Km. 1375+302.9-Km 1375+460	Trento, Agusan del Su	24-May-12	50.30%	9,355,842.81	DPWH Agusan del Sur District
12J B007	Construction of Flood Control along Left Bank of Dipol	Looc, Estaka, Dipolog	16-Jul-12	20.29%	62,300,089.15	DPWH Region 9

Certified By:

LIST OF COMPLETED PROJECTS
BUSINESS NAME : ARN BUILDERS, INC.
BUSINESS ADDRESS : 2ND FLOOR NORTHGATE CENTRE, GOV. CUENCO AVE., BANILAD, CEBU CITY

PROJECT NAME	PROJECT DETAILS	STATUS	CONTRACT AMOUNT	YEAR OF COMPLETION	CLIENT
IMPROVEMENT OF WATER WORKS SYSTEM FOR THE 1ST CONGRESSIONAL DISTRICT OF BOHOL	WATER SYSTEM	COMPLETED	21,180,221.00	JUNE.2002	DPWH REGION VII
CONSTRUCTION OF DUMALAG BRIDGE POBLACION DUMALAG-SAN ROQUE, DUMALAG, CAPIZ	BRIDGE CONSTRUCTION	COMPLETED	14,494,910.99	OCT. 2003	DPWH REGION VI
CONSTRUCTION OF CAGWAIT MUNICIPAL WATER SYSTEM, CAGWAIT, SURIGAO DEL SUR	WATER SYSTEM	COMPLETED	23,785,985.25	JUNE.2004	LGU CAGWAIT SURIGAO DEL SUR
CONSTRUCTION OF EXECUTIVE BUILDING AT CITY HALL COMPLEX, MAYSILO CIRCLE CITY OF MANDALUYONG	BUILDING	COMPLETED	297,458,325.50	NOV. 2005	LGU- CITY OF MANDALUYONG
IMPROVEMENT AND EXPANSION OF EXISTINGMALALAG WATERWORKS SYSTEM PROJECT	WATER SYSTEM	COMPLETED	14,569,450.12	MAY.2005	LGU MALALAG DAVO DEL SUR
CONSTRUCTION OFOR THE DEVT./ REHAB/EXPANSION OF MUNICIPAL WATERWORKS SYSTEM	WATER SYSTEM	COMPLETED	18,257,655.58	NOV. 2006	LGU MATALUM LEYTE
EXTENSION OF RC PIER AND CONTRUCTION OF RORO RAMP AT BRGY. BALITE, KAWAYAN, BILIRAN PROVINCE	PIER/ PORTS CONSTRUCTION	COMPLETED	413,940,398.84	NOV.,2007	PHILIPPINE PORT AUTHORITY REGION VIII
WASTE WATER TREATMENT PLANT AND EQUIPMENT AT CARAMOAN RESORT PROJECT	WASTE WATER TREATMENT	COMPLETED	8,239,854.34	MAY,2008	LGU REGION V
REHABILITATION/RECONSTRUCTION OF CEBU NORTH WHARF ROAD	PIER/ PORTS CONSTRUCTION	COMPLETED	105,752,825.09	NOV,2008	DPWH REGION VII
ROAD CONSTRUCTION ON THE REHAB/ RECONSTRUCT OF DAMAGE PAVED NATIONAL ROAD AKLAN EAST	ROAD CONCRETING	COMPLETED	18,997,806.32	DEC.2008	DPWH REGION VI
CONSTRUCTION OF KABANGKALAN-CANDUMAN BRIDGE (E. CORTES BRIDGE)	BRIDGE CONSTRUCTION	COMPLETED	30,408,896.66	SEPT, 2009	DPWH REGION VII
REHAB/ RECONSTRUCT/ UPGRADING OF DAMAGE PAVED NATIONAL ROAD GENERATED FROM PAVEMENT MGT. SYSTEM HIGHWAYS DEV. & MGT-4(HDM)-4)ALONG AKLAN EAST ROAD ALTAVAS, AKLAN	ROAD CONSTRUCTION	COMPLETED	31,794,991.13	OCT.2009	DPWH REGION VI
IMPROVEMENT/ CONCRETING OF KAPALONG-TALAINGOG- VALENCIA BUKIDNON ROAD BRGY. STO. NIÑO SECTION PHASE I, DAVAO DEL NORTE	CONCRETING ROAD	COMPLETED	152,657,115.91	MARCH, 2010	DPWH REGION XI
BULK WATER SUPLY	WATER SYSTEM	COMPLETED	258,112,734.50	APRIL, 2010	ISLANDER WATER RESOURCES, INC.
REPAIRE/ REHABILITATION OF CARAGA LN LOPEZ AND QUINONOAN BRDGES ALONG BAGANGA- MATI ROAD DAVAO, ORIENTAL	BRIDGE CONSTRUCTION	COMPLETED	93,754,920.00	APRIL, 2010	DPWH REGION XI
CONTRUCTION FOR THE DEVELOPMENT/ IMPROVEMENT/ EXPANSION AT THE VILLABA MUNICIPAL WATERWORK SYSTEM PROJECTS, VILLABA, LEYTE	WATER SYSTEM	COMPLETED	45,443,329.81	AUG., 2010	LGU MUNICIPALITY OF LEYTE

PREVENTIVE MAINTAINANCE OF DIPOLOD SINDNGAN-LILOY ROAD (REPAIRE/ ASPHALT/ OVERLAY USING INSTAPAVE TECHNOLOGY & REFLECTIVE THERMOPLASTIC PAVEMENT MARKINGS AT DATU TANGKILAN, ZAMBOANGA DEL NORTE	ROAD ASPHALTING	COMPLETED	4,809,999.50	AUG., 2010	DPWH REGION IX
CONSTRUCTION OF BORACAY ROAD BULABOG-TUTUBHAN SECTION BORACAY ISLAND, MALAY AKLAN	ROAD CONSTRUCTION	COMPLETED	55,271,807,375.00	NOV,2010	DPWH REGION VI
REPAIRE MAINTAINANCE OF NATIONAL ROAD & BRIDGE DAMAGE PAVEMENT USING INSTAPAVE TECHNOLOGY ALONG DIOLOG-LILOY ROAD, LINAY SECTION, MANUKAN, ZAMBOANGA DEL NORTE	ROAD & BRIDGES REPAIRE MAINTAINANCE	COMPLETED	2,678,180.72	DEC, 2010	DPWH REGION IX
UPGRADING / IMPROVEMENT ALONG SINDANGAN-SIAYAN-DUMINGAG ROAD, PIAO-SIAYAN SECTION ZAMBOANGA DEL NORTE	ROAD CONSTRUCTION	COMPLETED	18,624,394.74	JAN .2011	DPWH REGION IX
JIABONG 6.06 KM FARM TO MARKET ROAD	ROAD CONCRETING	COMPLETED	33,778,827.55	JAN .2011	DOA REGION X
REPAIRE/ASPHALT/ OVERLY ALONG DIPOLOG OROQUITA ROAD (USING INSTAPAVE TECHNOLOGY & APPLICATION OF THERMOPLASTIC PAVE MARKINGS)PUNTA SECTION DIPOLOG CITY	ROAD ASPHALTING	COMPLETED	18,483,068.63	FEB, 2011	DPWH REGION VIII
CONSTRUCTION OF FLOOD CONTROL, REVETMENT WALL, RESTING ON SHEET PILES (CUT OFF WALL) AND REPAIRE/ REHAB OF RIVERCONTROL LIBACAO	FLOOD CONTROL	COMPLETED	53,003,695.00	JUNE.2011	DPWH VI, ILO-ILO CITY
RECONSTRUCTION OF CRETICAL SECTION, HIGHWAY ROAD ALONG DIPOLOG-SERIO OSMEÑA , SANGKOL- COGON SECTION	ROAD CONSTRUCTION	COMPLETED	17,470,927.78	DEC,2011	DPWH REGION IX
REPAIRE / REHAB OF PUNTA-DANSULLAN- SERIO OSMEÑA ROAD(ASPHALT/ OVERLAY USING INSTAPAVE TECKNOLOGY & APPLICATION OF RELECTORIZED MARKING) SINAMAN- SANGKOL SECTION, DIPOLOG CITY	ROAD ASPHALTING	COMPLETED	9,404,434.11	DEC,2011	DPWH REGION IX
IMPROVEMENT OF PANINIRONGAN PORT Brgy. Paninirongan, Pambujan, Northern Samar	PIER AND PORTS	COMPLETED	87,915,208.14	JAN .2012	PHILIPPINE PORT AUTHORITY REGION VIII
PREVENTIVE MAINTAINANCE DIPOLOG-POLANCO PIÑAN JUNCTION-OROQUITA ROAD	ROAD CONSTRUCTION	COMPLETED	5,309,620.11	FEB.2012	DPWH REGION X
ASPHALT OVERLAY ALONG IRIGA CITY MASOLI ROAD(PREVENTIVE)STA.CRUZ IRIGA CITY	ROAD ASPHALTING	COMPLETED	14,041,795.80	MARCH.2012	DPWH REGION X
REPAIRE MAINTAINANCE OF ROADS & BRIDGES (PVM) DIPOLOG-SINDANGAN LILOY ROAD	ROAD & BRIDGES CONSTRUCTION	COMPLETED	16,040,422.13	MARCH.2012	DPWH REGION IX

Audited Financial Statements

(For the year December 31, 2012)

ARN BUILDERS INC.

FINANCIAL REPORT

December 31, 2012

ARN BUILDERS, INC.
NORTHGATE BUILDING, BANILAD, CEBU CITY
Telephone No. ____________

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ***ARN BUILDERS, INC*** is responsible for the preparation and fair presentation of the financial statements for the year ended DECEMBER 31, 2012. In accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members.

BASILIDES C. MANDAWE JR., the independent auditor, appointed by, the stockholders has examined the financial statements of the company in accordance with Philippine Standards on auditing, and in it's report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature
Printed Name of the Chairman of the Board — PEPITO T. ESPINOZA

Signature
Printed Name of Chief Executive Officer — PEPITO T. ESPINOZA

Signature
Printed Name of Chief Financial Officer — ERNESTO F. TAGUDINA

Signed this 01st day of April, 2013.

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BASILIDES MANDAWE JR.
Certified Public Accountantl

SUPPLEMENTAL WRITTEN STATEMENT OF EXTERNAL AUDITOR ON THE NUMBER OF SHAREHOLDERS

To the Stockholders and Board of Directors
ARN BUILDERS INC.
Northgate Building, Banilad,
Cebu City

I have audited the financial statement of **ARN BUILDERS INC.** for the year ended December 31, 2012, on which I have rendered the attached report dated April 01, 2013.

In compliance with SEC Rule 68, I am stating that the said company has a total number of Five (5) stockholders owning (100) or more shares each.

BASILIDES MANDAWE JR.
External Auditor
CPA Certificate No. 65437
SEC Accreditation No. 1147-A
August 26, 2011 valid until August 25, 2014
Tax Identification No. 135-465-330
BIR Accreditation No.13-000959-1-2009
BOA Accreditation No. 16310
July 7, 2010 valid until Dec. 31, 2013
PTR No. 2681633, January 03, 2013, Cebu Province

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April 01, 2013

BASILIDES C. MANDAWE JR.
Certified Public Accountant
No. 15 PJV Homes Subdivision, A. Abellana St., Cebu City

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
TO ACCOMPANY INCOME TAX RETURNS**

To Board of Directors
ARN BUILDERS INC.
Northgate Building, Banilad
Cebu City

I have examined the financial statements of **ARN BUILDERS INC.** for the year then ended December 31, 2012 on which I have rendered the attached report dated April 01, 2013.

In compliance with Revenue Regulations V-20, I am stating that:

1. The taxes paid or accrued by the above entity for the year ended December 31, 2012 are shown in the schedule of taxes and licenses attached to the income tax return.

2. I am not related by consanguinity or affinity to the president, manager and shareholders of the corporation.

BASILIDES MANDAWE JR.
External Auditor
CPA Certificate No. 65437
SEC Accreditation No. 1147-A
August 26, 2011 valid until August 25, 2014
Tax Identification No. 135-465-330
BIR Accreditation No.13-000959-1-2009
BOA Accreditation No. 16310
July 7, 2010 valid until Dec. 31, 2013
PTR No. 2681633, January 03, 2013, Cebu Province

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April 01, 2013

BASILIDES MANDAWE JR.
Certified Public Accountant

REPORT OF INDEPENDENT AUDITOR

The Board of Directors and Shareholders
ARN BUILDERS, INC.
Northgate Building, Banilad
Cebu City

I have audited the accompanying Financial Statements of **ARN BUILDERS, INC.** which comprise the statements of financial position as of December 31, 2012 and 2011, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flow for each of the three years ended December 31, 2012 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I have conducted my audits in accordance with Philippine Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud and error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of **ARN BUILDERS INC.** as of December 31, 2012 and 2011 of its financial performance and its cash flow for each of the three years ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2012

My 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 19-2011 and 15-2010 in Note 11 to the financial statements, respectively, 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 **ARN BUILDERS INC.** The information has been subjected to the auditing procedures applied in my 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

BASILIDES C.MANDAWE JR.
External Auditor
CPA Certificate No. 65437
SEC Accreditation No. 1147-A
August 26, 2011 valid until August 25, 2014
Tax Identification No. 135-465-330
BIR Accreditation No.13-000959-1-2009,
BOA Accreditation No. 16310
July 7, 2010 valid until Dec. 31 2013
PTR No. 2681633, January 03, 2013, Cebu Province

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CEBU CITY NORTH

April 01, 2013

ARN BUILDERS INC.
Comparative Statement of Financial Position
As of December 31

	Notes	2012	2011
ASSETS			
Current Assets			
Cash	*2,5,21,22*	42,060,163	460,099
Trade and Other Receivables	*2,6,21,22*	63,263,676	46,438,162
Other Current Assets	*2,7,22*	251,094	19,433,545
Total Current Assets		105,574,933	66,331,806
Noncurrent Assets			
Property and Equipment	*2,8,22*	74,245,345	83,685,101
Total Noncurrent Assets		74,245,345	83,685,101
TOTAL ASSETS		179,820,278	150,016,907
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities			
Trade and Other Payables	*2,9,21,22*	21,379,278	7,022,913
Other Current Assets	*2,10,22*	18,780	103
Total Current Liabilities		21,398,058	7,023,016
Stockholder's Equity			
Capital Stock	*2,11,12,22*	158,422,220	142,993,891
Total Stockholder's Equity		158,422,220	142,993,891
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY;		179,820,278	150,016,907

ARN BUILDERS INC.
COMPARATIVE STATEMENT OF OPERATION
For The Year Then Ended December 31

		Notes	2012	2011
REVENUE:				
from Operations		2,15,22	338,481,772	747,987,874
LESS:	Direct Cost	2,16,22	313,139,273	737,214,592
GROSS PROFIT		2,17,18,19,20,22	25,342,499	10,773,282
Other Income: Rental		2,15,22	1,620,000	-
GROSS INCOME			26,962,499	10,773,282
LESS:	OPERATING EXPENSES		4,922,029	1,899,789
NET INCOME subject to tax			22,040,470	8,873,493
Less: Provision for Income Tax			6,612,141	2,662,048
NET OPERATING INCOME			15,428,329	6,211,445
Add: Interest Income on Bank Deposit			-	-
NET INCOME TO RETAINED EARNINGS			15,428,329	6,211,445

See accompanying Notes to Financial Statements

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ARN BUILDERS INC.
COMPARATIVE CASH FLOW STATEMENT
As of December 31.

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	22,040,470	8,873,493
Adjustment for:		
Depreciation	9,491,069	9,485,937
Operating income before working capital changes	31,531,539	18,359,430
Decrease(Increase) inc:		
Trade and Other Receivables	(16,825,514)	(1,476,821)
Other Current Assets	19,182,451	(19,182,451)
Increase(Decrease) in:		
Trade and Other Payables	14,356,365	(8,831,818)
Other Current Liabilities	18,677	(390)
Net cash generated from(used in) operations	48,263,518	(11,132,050)
Income tax paid	(6,612,141)	(2,662,048)
Net Cash Flows provided(used in) operations	41,651,377	(13,794,098)
Cash Flows from Investing Activity		
Additions to:		
Property and equipment	51,313	-
Net Cash flows from Investing Activities	51,313	-
Cash Flows from Financing Activity		
Capital subscription	-	-
Additional Paid-In Capital	-	-
Net Cash Flows from Financing Activities	-	-
Net Increase(decrease) in cash and cash equivalent	41,600,064	(13,794,098)
Cash and cash equivalent at Beginning of year	460,099	14,254,197
Cash and Cash Equivalent at end of year	42,060,163	460,099

See accompanying Notes to Financial Statements

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ARN BUILDERS INC.

Statement of Changes in Stockholder's Equity

FOR THE YEAR then ended December 31

	2012	2011
Capital Stock		
Authorized 900,000 shares Par Value P100 (Subscribed)	90,000,000	90,000,000
Less: Subscription receivable	-	-
Capital issued and outstanding	90,000,000	90,000,000
Additional Paid-In Capital	44,289,029	44,289,029
Retained Earnings		
Balance at the beginning of year	8,704,862	2,493,417
Net Income(*Note 11*)	15,428,329	6,211,445
Balance at the end of year	24,133,191	8,704,861.60
TOTAL	158,422,220	142,993,891

See accompanying Notes to Financial Statements

ARN BUILDERS, INC.*(Formerly Denzell Arn Builders Incorporated as amended on September 24, 2008)*
Notes to Financial Statements

1. CORPORATE INFORMATION

The Corporations is a stock corporation organized under the laws of the Philippines. The Corporation was amended and registered with the Securities and Exchange Commission (SEC) on the 16th day of February, 2009 with SEC Registration No. CS200417997. The primary purpose for which this corporation was established is to provide general building construction which specializes in construction of roads, highway pavements, railways, airports, horizontal structures, vertical high rise buildings and industrial plants, bridges, water supply, ports, harbour and offshore works.

The financial statements of the corporation as at December 31, 2012 and 2011 were approved and authorized for issue by the Board of Directors on April 1, 2013.The Board of Directors is empowered to make revisions even after the date of issue.

2. 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.

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 company applied Section 35 (Transition to the PFRS for SMEs) in preparing the Financial Statements, with January 1, 2009 as the date of transition.

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 accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium sized Entities (SMEs).

Accounting Policies Adopted
The following sections that have been published by the International Accounting Standards Board (IASB) and adopted by the FRSC which became effective for accounting periods beginning on or after July 1, 2009 were adopted by the Company:

Section 3	-	Financial Statement Presentation
Section 4	-	Statement of Financial Position
Section 5	-	Statement of Comprehensive Income and Income Statement
Section 6	-	Statement of Changes in Equity
Section 7	-	Statement of Cash Flows
Section 8	-	Notes to the Financial Statements
Section 10	-	Accounting Policies, Estimates and Errors
Section 11	-	Basic Financial Instruments
Section 13	-	Inventories
Section 17	-	Property and Equipment
Section 20	-	Leases
Section 21	-	Provisions and Contingencies
Section 22	-	Liabilities and Equity
Section 23	-	Revenue
Section 25	-	Borrowing Costs
Section 27	-	Impairment of Assets
Section 28	-	Employee Benefits
Section 32	-	Events after the End of the Reporting Period

Section 33	-	Related Party Disclosures
Section 35	-	Transition to the PFRS for SMEs

The adoption of the above sections, upon which the Company has opted to adopt early, did not have any significant effect on the Company's financial statements. These, however, require additional disclosures on the Company's financial statements.

Section 3, "Financial Statement Presentation", explains fair presentation of financial statements, what compliance with the PFRS for SMEs requires, and what a complete set of financial statements is. This section prescribes the basis for presentation of general purpose financial statements for SMEs to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Section 4, "Statement of Financial Position", sets out the information that is to be presented in a statement of financial position and how to present it. The statement of financial position (sometimes called the balance sheet) presents an entity's assets, liabilities and equity as of a specific date—the end of the reporting period and provides the minimum line items that should be included in the statement of financial position, however, additional line items, heading and subtotals shall be presented if they will be relevant to an understanding of the entity's financial position.

Section 5, "Statement of Comprehensive Income and Income Statement" requires an entity to present its total comprehensive income for a period—ie its financial performance for the period—in one or two financial statements. It sets out the information that is to be presented in those statements and how to present it.

Section 6, "Statement of Changes in Equity", sets out requirements for presenting the changes in an entity's equity or a period, either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings.

Section 7, "Statement of Cash Flows", sets out the information that is to be presented in a statement of cash flows and how to present it. The statement of cash flows provides information about the changes in cash and cash equivalents of an entity for a reporting period, showing separately changes from operating activities, investing activities and financing activities.

Section 8, "Notes to the Financial Statements", sets out the principles underlying information that is to be presented in the notes to the financial statements and how to present it. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements. In addition to the requirements of this section, nearly every other section of this PFRS requires disclosures that are normally presented in the notes.

Section 10, "Accounting Policies, Estimates and Errors", provides guidance for selecting and applying the accounting policies used in preparing financial statements. It also covers changes in accounting estimates and corrections of errors in prior period financial statements.

Section 11, "Basic Financial Instruments", deals with recognizing, measuring and disclosing basic financial instruments and is relevant to all entities. An entity shall recognize a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument. When a financial asset or financial liability is recognized initially, an entity shall measure it at the transaction price unless the arrangement constitutes, in effect, a financing transaction.

Section 13, "Inventories", prescribes policies for recognizing and measuring inventories and provides guidance in determination cost and subsequent recognition as expense. An entity shall measure inventories at the lower of cost and estimated selling price less costs to complete and sell.

Section 17, "Property and Equipment", prescribes the accounting treatment for property equipment so that users of the financial statements can discern information about an entity's investment in its property and equipment and the changes in such investment. The principal issues in accounting for property and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them. An entity shall measure an item of property and equipment at initial recognition at its cost. The cost of an item of property and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

Section 20, "Leases", applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets. This section does not apply to agreements that are contracts for services that do not transfer the right to use assets from one contracting party to the other. Its objective is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.

Section 21, "Provisions and Contingencies", outlines the recognition of provision only when: (a) the entity has an obligation at the reporting date as a result of a past event; (b) it is probable (ie more likely than not) that the entity will be required to transfer economic benefits in settlement; and (c) the amount of the obligation can be estimated reliably. Its objective is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

Section 22, "Liabilities and Equity", establishes principles for classifying financial instruments as either liabilities or equity and addresses accounting for equity instruments issued to individuals or other parties acting in their capacity as investors in equity instruments (ie in their capacity as owners).

Section 23, "Revenue", prescribes the accounting treatment of revenue arising from certain types of transactions and events. The primary issue in accounting for revenue is determining when to recognize revenue. Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This section identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognized. It also provides practical guidance on the application of these criteria. An entity shall measure revenue at the fair value of the consideration received or receivable.

Section 25, "Borrowing Costs", specifies the accounting for borrowing costs. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. An entity shall recognize all borrowing costs as an expense in profit or loss in the period in which they are incurred.

Section 27, "Impairment of Assets", prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount if its carrying amount exceeds the amount to be recovered through use of or sale of the asset. If this is the case, the asset is described to be impaired and the standard requires the entity to recognize an impairment loss.

Section 28, "Employee Benefits", deals with accounting and reporting by the plan to all participants as a group. It does not deal with reports to individual participants about their retirement benefit rights. An entity shall recognize the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period: (a) as a liability (b) as an expense. This section shall be applied in the financial statements of retirement benefit plans where such financial statements are prepared.

Section 32, "Events after the End of the Reporting Period", defines events after the end of the reporting period and sets out principles for recognizing, measuring and disclosing those events. Events after the end of the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Its objective is to prescribe: (a) when an entity should adjust its financial statements for events after the reporting period; and (b) the disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting period. It also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

Section 33, "Related Party Disclosures", requires an entity to include in its financial statements the disclosures necessary to draw attention to the possibility that its financial position and profit or loss have been affected by the existence of related parties and by transactions and outstanding balances with such parties. An entity shall disclose key management personnel compensation

Section 35, "Transition to the PFRS for SMEs", applies to a first-time adopter of the PFRS for SMEs, regardless of whether its previous accounting framework was full PFRSs or another set of generally accepted accounting principles (GAAP) such as its national accounting standards, or another framework such as the local income tax basis.

In 2010, it is the opinion of Management that assets and liabilities were recognized at fair value; hence, these were considered deemed cost.

The significant sections and practices of the Company are set forth to facilitate the understanding of the financial statements:

Financial Assets
Financial assets include Cash, Trade and Other Receivables.

Cash
Cash includes cash on hand; cash in banks and revolving fund. Cash on hand as of the end of the period were deposited the next banking day. Cash in banks are deposits held at call with banks. The company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures. Revolving Fund is used for small payments not covered by checks.

Trade and Other Receivables
Trade receivables ***represent accounts receivable*** and are ***non-interest bearing*** measured initially at ***invoice transaction price*** and subsequently measured at their ***fair value*** as reduced by appropriate allowances for doubtful accounts and impairment, if any. The allowance for doubtful accounts is 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. The doubtful accounts expense is recognized in the statements of income.

Other receivables are recorded initially at transaction cost and subsequently measured at cost less impairment, if any. Other receivables include advances to officers and employees, accrued income ***receivable***, and others.

Inventories
Inventories are valued at the lower of cost and estimated selling price less costs to sell. Cost of inventories includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Periodic system is the accounting used for the company's inventories. The cost of inventories is determined using the First-In-First-Out (FIFO) method.

Other Current Assets
Other current assets include prepaid supplies which are ***valued*** at the ***lower of cost or net realizable value.*** It also includes prepayments such as prepaid taxes and prepaid expenses that are initially recorded at transaction cost and subsequently measured at cost less impairment loss, if any.

Property and Equipment
Property and equipment are measured initially at its cost. Property and equipment, after initial recognition are stated at cost less any accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment, comprises its purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of initial delivery and handling, installation and assembly, and testing of functionality.

The following costs are not costs of an item of property and equipment, and the entity recognized them as an expense when they are incurred: costs of opening a new facility, costs of introducing a new product or service (including costs of advertising and promotional activities), costs of conducting business in a new location or with a new class of customer (including costs of staff training), administration and other general overhead costs and borrowing costs.
For financial reporting purposes, duties and taxes related to the acquisition of property and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year theses charges are incurred.

For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets.
If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate.
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of an item of property and equipment is recognized in profit or loss when the item is derecognized (unless Section 20 *Leases* requires otherwise on a sale and leaseback) such gain is not recognized as revenue.

For income tax reporting purposes, depreciation is computed using the straight-line method.

Other Noncurrent Assets
Other noncurrent assets include Program Development, Tax Refundable, and Investment in FAPE that are initially recorded at transaction cost and subsequently measured at cost less impairment loss, if any.

Financial Liabilities
Financial liabilities are recognized initially at fair value.

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities include Trade and Other Payables and Loans Payable.

Trade and Other Payables
Trade 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.

Other Payables include payables to affiliates, professional fees, accrued expenses, and rent expense payable.

Trade and other payables are initially recorded at transaction ***price*** and subsequently measured at their cost less settlement payments.

Other Current liabilities
Other current liabilities include statutory obligation as of the end of the period such as withholding tax payable.

Loans Payable
Loans payable are long-term borrowings measured at their fair values and subsequently recognized at amortized costs less settlement payments.

Non-Current Liabilities
Non-current liabilities represent account payable-others and miscellaneous deposit which initially recorded at transaction ***price*** and subsequently measured at their cost less settlement payments.

Financial Instruments
Date of Recognition
The Company recognizes a financial asset or a financial liability in the balance sheets when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Instruments
All financial assets are initially recognized at fair value.

Determination of Fair Value
For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Impairment of Financial Assets
The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that they borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized, based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individual asset with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is on continues to be recognized are not included in a collective assessment or impairment.

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 statements of income. to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or. where applicable a part of financial asset or part of a group of similar 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 substantially all the risks and rewards of the asset. but has transferred control of the asset.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged. 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 the statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if. and only if. there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Impairment of Non-Financial Assets

The Company assesses as at reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use or its net selling price and is determined for an individual asset. unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds it recoverable amount. the asset is considered impaired and is written down to its recoverable amount. In assessing value in use. the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income unless the asset is carried at revalued amount. in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation, either 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 the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision. the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed. unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Total Equity

Total equity comprises of contributed capital and retained earnings.

Contributed Capital
Contributed capital is determined by the actual cash or equivalent paid for stock subscription of the incorporators.

Cumulative Retained Earnings
Cumulative retained earnings include all current and prior period results as disclosed in the statement of revenue and expenses.

Comprehensive Income
Comprehensive income includes revaluation surplus, that are closed to the company's' cumulative earnings.

Revenue and cost recognition
Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. However, when an uncertainty arises about the collectability of an amount already included in the revenue. the uncollectible amount. or the amount in respect of which recovery has ceased to be probable, is recognized as an expense. rather than as an adjustment of the amount of revenue originally recognized.

The following specific criteria must also be met before revenue is recognized:

- *Sale of Service.* Revenue from sales of services is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity.
- *Interest income.* Interest income is recognized as the interest accrues.
- *Rental Income.* Revenue from rental income is accounted for on a straight-line basis over the lease term..
- *Miscellaneous income* includes sale of empty sacks and all other income not classified as sale of goods.

Cost. operating are recognized in the statement of income upon utilization of the service or in the date they are incurred.

Employees' Compensation and Other Benefits
<u>Short-term Benefits</u>
The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages. social security contributions. short-term compensated absences. bonuses and other non-monetary benefits. if any.

<u>Long-term Benefits</u>
The Company provides retirement benefits to entitled employees equivalent to the provision mandated by law, if any.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred.

<u>Income Taxes</u>
Current tax assets and liabilities for the current and prior periods 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 by the balance sheet date.

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

Deferred income tax liabilities, if any. are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

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

Deferred tax asset and liabilities. if any. are measured at the tax rates expected in 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 balance sheet date.

Leases
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. Operating lease payment are recognized as expense in the statement of income on a straight-line basis over the lease term.

Retirement Costs
The Foundation has a defined benefit retirement plan covering substantially all qualified employees. The obligation and costs of retirement benefits of The Foundation are actuarially computed by professionally qualified independent actuary using projected unit credit method. Actuarial gains or losses are immediately recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for the plan at the end of the previous period exceed 10% of the defined benefit obligation at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial losses recognized. Transitional liability is the difference, as of the date The Foundation initially applied PAS 19, between the amounts of the present value of the obligation and the fair market value of fund assets, if any, minus any past service cost.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at financial reporting date.

Events After the End of the Reporting Period
Post-year-end events up to the date of the auditor's report that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Related Party Disclosures
Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees, if any, are also considered to be related parties

The Company's related parties include the Company's Key Management. The compensation of the key management personnel of the Company pertains to the usual monthly salaries and government mandated bonuses; there are no other special benefits paid to management personnel.

3. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (in reference to the Philippine Financial Reporting Standards) requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments
The preparation of the Company's financial statements in conformity with Financial Reporting Framework in reference to the Philippine Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determining Functional Currency
Based in economic substance of underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso, which is the currency of the primary economic environment in which the Company operates and is the currency that mainly influences the prices of the products and services and the cost of providing such products and services.

Repairs and maintenance

Repairs and maintenance incurred by the Company have not resulted in an increase in the future economic benefit of its property and equipment, therefore charged to operations.

Estimates
In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

Estimated allowance for doubtful accounts
The Company maintains allowances for doubtful accounts, if any, at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customer, the customer's payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for doubtful accounts would increase the recorded operating expenses and decrease current assets.

Evaluation of asset impairment
The Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include significant changes in asset usage, significant decline in assets' market value and obsolescence or physical damage of an asset. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect property and equipment.

Impairment of inventories

The Company recognizes impairment on inventories whenever the net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

Estimating useful lives of property and equipment
If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate.

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

Construction Equipment	7-10 years
Furniture and Fixture	3-5 years
Office Equipment	3-5 years

Fair Value of Property and Equipment
The Property and Equipment is stated at revalued amount based on the fair value of the property. The valuation was made on the basis of the fair market value determined by referring to the character and utility of the property, and comparable property which has been sold recently in the locality where the property is located. Management believes that the basis of the fair value is reasonable.

Financial assets and liabilities
The Company requires certain financial assets and liabilities to be at fair value, which requires use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. interest and volatility rates), the amount of changes in fair value would differ if the Company utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect directly the statements of income and equity, as appropriate.

Impairment of Non-financial Assets
The Company assesses the value of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.
The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Prepaid Retirement Costs
The determination of The Foundation's retirement cost is dependent on selection of certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 20 and include, among others, annual interest rates, rates of future salary increase, number of plan members and average remaining working lives of employees. In accordance with PAS 19, actual results that differ from Company's assumptions are accumulated over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in The Foundation's actual experience or significant changes in the assumptions may materially affect the retirement obligation.

Revenue recognition
The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 Trustees, 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. The policies for managing specific risks are summarized below.

Management of Financial Risk
Governance Framework
The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital Management Framework
The Company's capital management objectives are to ensure the Company's ability to continue as a going concern. The Company monitors the basis of the carrying amount of equity as presented on the face of the balance sheet.

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The Company considers its payment of stock subscription contributed by stockholders as capital.

	Amount
Authorized 90,000 shares Par Value of P100(Subscribed 900,000 shares)	90,000,000
Less: Subscription receivables	-
Issued and outstanding	90,000,000
Additional Paid- In Capital	44,289,029
Total Capital Paid In	134,289,029

Regulatory Framework
The operations of the Company are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

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

Credit risk
The Company's credit risk is primarily attributable to its trade and other receivables from the customers. Credit risk is managed primarily through credit reviews and an analysis of receivables on continuous basis. The company also undertakes supplemental credit review procedures for certain installment payment structures. There is no objective evidence yet to set provision for impairment.

The Company's credit risk is primarily attributable to its accounts receivables and other receivables, if any. 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 are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The table below shows the maximum exposure to credit risk for the components of the 2011 statements of financial position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	Gross Maximum Exposure
Cash	42,055,163 *
Trade and Other Receivables	63,263,676
	105,318,839

**Excludes cash on hand and petty cash fund amounting to P 0 and P 5,000 in 2012 respectively.*

The aging analyses of financial assets as of December 31, 2012 that were past due but not impaired are as follows:

	Neither Past Due nor Impaired	Past Due but not Impaired: 31-60 days	61 to 90 days	More than 90 days	Impaired	Total
Cash	42,060,163	-	-	-	-	42,060,163
Trade and Other Receivables						
Accounts Receivable	38,230,882	24,322,871	-		-	62,553,753
Adv. to Officers & Employees		-	709,923	-	-	709,923.00
Advances to suppliers	-	-	-	-	-	-
Accounts receivable-others	-					-
Others	-	-	-	-	-	-
	80,291,045	24,322,871	709,923	-	-	105,323,839

The Company's financial assets which are neither past due nor impaired include cash to counterparty with good credit rating or bank standing, and receivables from clients

Allowance for doubtful accounts is computed for age receivables over the estimated percentage of uncollectibility of the accounts receivables as follows:

Neither past due nor impaired	1%
31-60 days	2%
61-90 days	3%
More than 90 days	5%

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 contractual obligation; or inability to generate cash inflows as anticipated.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods and the Company maintains adequate highly liquid assets in the form of cash, trade and other receivables and inventory to assure necessary liquidity. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

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 bank loans and advances from related parties, if there's any.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2012 based on contractual undiscounted payments.

	Due not later than 1 mo.	Due later than 1 mo. but not later than 3 mos.	Due later than 3 mos. but not later than 6 mos.	Due later than 6 mos. but not later than 1 yr.	Due later than 1 year	Total
Trade & Other Payables	21,178,483	-	200,795		-	21,379,278
Other current liabilities	18,780					18,780
Total	21,197,263	-	200,795	-	-	21,398,058

The fair values of trade and other payables have not been individually disclosed as, due to their short duration, management considers the carrying amounts recognized in the statements of financial position to be reasonable approximation of their fair values.

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risks), market interest rates (interest rate risk) and market prices (price risk).

Fair Value Interest Rate Risk
The fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate receivables in particular are exposed to such risk.

5. Cash

This account consists of:

	2012	2011
Cash on Hand	-	-
Cash in Bank	42,055,163	455,099
Petty Cash Fund	5,000	5,000
TOTAL CASH	**42,060,163**	**460,099**

Cash on hand are the undeposited collections as of the end of the period which will be deposited on the next banking day.

Cash in bank represents savings/current account in five (5) reputable local banks. Savings account deposits earn interest at the respective bank deposit rates and current account deposits do not earn interest. The Company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

A reasonable amount of Petty Cash Fund is maintained to cover small payments not covered by checks, such as transportation. small amount of office supplies, and other payments as defined by management and not exceeding P500.00 per single payment.

6. Trade and other Receivables

This account consists of:

	2012	2011
Accounts Receivable-Trade		
Receivables from customers	62,553,753	45,728,239
Advances from suppliers		
	62,553,753	45,728,239
Allowance for doubtful accounts	-	-
	62,553,753	45,728,239
Other Receivables		
Advances to employees	709,923	709,923
Others		
TOTAL TRADE AND OTHER RECEIVABLES	**63,263,676**	**46,438,162**

*Trade receivables are non-interest bearing and generally on a 30-day term. A letter of notice is given to customers if still unpaid with in thirty (30) days, usually after a month from the PN date. After a week or two from the date of letter of notice, **a demand letter will be mailed to the concern customers**. If the customers did not pay after two weeks, it is then forwarded to the credit and collection.*

Allowance for doubtful accounts is computed for aged receivables over the estimated percentage of uncollectibility of the accounts receivables as follows: neither past due nor impaired, 1%; 31-60 days, 2%; 61-90 days, 3%; and more than 90 days, 5%.

Advances to officers and employees comprise unliquidated cash advances and are paid through salary deduction.

No receivables have been pledged as a security for liabilities.

7 **Other Current Assets**

This account consists of:

	Notes	2012	2011
Vat Input		-	6,494,141
Prepaid income tax		251,094	12,939,404
TOTAL OTHER CURRENT ASSETS		**251,094**	**19,433,545**

8. **Property and Equipment**

Property and Equipment consist of the following:

	31-Dec 2011	Additions	(Disposals)	31-Dec 2010
Cost				
Construction Equipment	52,561,262		-	52,561,262
Furniture and Fixtures	7,010,077		-	7,010,077
Office Equipment	35,288,034	51,313	-	35,339,347
	94,859,373	**51,313**	-	**94,910,686**
Less accumulated depreciation and amortization				
Construction Equipment	6,858,287	5,256,126		12,114,413
Furniture and Fixtures	710,789	705,514		1,416,303
Office Equipment	3,605,196	3,529,429		7,134,625
	11,174,272	**9,491,069**	-	**20,665,341**
CARRYING VALUE	**83,685,101**	**9,542,382**	-	**74,245,345**

The carrying value of the property and equipment is equivalent to its fair value.

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

Depreciation is computed on a straight line method over the estimated useful life of the assets as follows:

Construction Equipment	*7-10 years*
Furniture and Fixtures	*3-5 years*
Office Equipment	*3-5 years*

No assets were found impaired. Depreciation and amortization charged to operations amounted to P 9,491,069 for the fiscal year 2012 and P 9,485,938 for the fiscal year 2011.

9. **Trade and Other Payables**

This account consists of:

	2012	2011
Accounts Payable-Trade	21,178,483	6,822,118
Other Payables:		
Advances from officers		
Accrued Expenses	200,795	200,795
Others		
TOTAL TRADE AND OTHER PAYABLES	**21,379,278**	**7,022,913**

Trade payables represent the unpaid portion of the company's purchases of goods from its suppliers. They do not earn interest and expected to be settled within a short period of time.

Advances from Officers are also non-interest bearing cash advance from officers of the company received for the fiscal year that were not given as of the cut-off date.

Accrued expenses include unpaid utilities, 13th month pay salaries and commissions on professional fees. These accounts are expected to be settled within 12 months from the balance sheet date.

10. Other Current Liabilities

This account consists of:

	2012	2011
Withholding Tax Payable	236	103
Income Tax Payable	9,761	
Vat Payable	8,783	-
Total	18,780	103

Withholding tax payable includes the current portion of the Company's statutory obligations which has been accrued as of the end of the period and is expected to be paid the following month.

11. Stockholder's Equity

	2012	2011
Authorized (900,000 shares par value of P100)	90,000,000	90,000,000
Less: Subscription receivables	-	-
Issued and outstanding	90,000,000	90,000,000
Additional Paid- In Capital	44,289,029	44,289,029
Total	134,289,029	134,289,029

The incorporators has contributed the amount of One Hundred Thirty Four Million Two Hundred Eighty Nine thousand Twenty Nine (P134,289,029) as capital of the corporation for year 2011.

12. Retained Earnings

This account consists of:

	2012	2011
Retained Earnings Jan. 1	8,704,862	2,493,417
Net Income(Loss) for the period	15,428,329	6,211,445
Retained Earnings Dec. 31	24,133,191	8,704,862

13. Related Party Disclosure

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

The Company's related parties include the Company's Key Management. The compensation of the key management personnel of the Company pertains to the usual monthly salaries and government mandated bonuses; there are no other special benefits paid to management personnel.

This account consists of:

	2012	2011
Salaries and Wages	349,600	347,000
Benefits and Allowances	10,000	10,000
TOTAL	359,600	357,000

14. Retirement Benefits

The Company has a none contributory benefit retirement plan to be effective on January 2011. Under the plan, a Provision of 2% on the amount salary rates of all staffs shall be recognized as retirement benefits. This shall be Provided every month and shall be charged to operations.

15. Revenues

This account consists of:

	Note	2012	2011
Construction Income	22	338,481,772	747,987,874
TOTAL REVENUE		**338,481,772**	**747,987,874**

Construction Income as follows:

Government Project -	333,425,592
Zero Rated IncCome	5,056,180
Total Income	338,481,772
Rental Income -Zero Rated	1,620,000

The company derives its revenue from construction sales.

16. Cost and Service

This account consists of:

	Notes	2012	2011
Cost and Service			
Construction Materials		256,796,223	728,410,622
Depreciation		8,785,555	8,784,930
Direct Labor		1,677,811	-
Other Construction Materials		44,532,400	
Representation & Entertainment		1,347,284	19,040
Total		**313,139,273**	**737,214,592**

Cost of sales and services are recognized in the statements of income upon, utilization of the service or on the date they are incurred.

17. Operating Expenses

This account consists of:

	2012	2011
Salaries and wages	349,600	347,000
Fuel/Oil/Lubricants	1,703,409	117,522
Spare Parts Supplies	534,607	419,147
Rental Expense	-	-
Insrance Expense	493,130	28,300
Taxes and licenses	112,550	47,278
Light and water	195,686	2,637
Depreciation Expense	705,514	701,008
Transportation & Travel Expense	207,777	58,728
Sss & Ecc Contribution	105,943	68,472
Pag-ibig Contribution	9,000	13,200
Philhealth Contribution	8,100	6,600
Office Supplies Expense	299,351	47,278
Telecommunication	139,380	28,464
Hotel Accomodation Expense	52,782	14,155
Unrecoverable Withholding Tax on Gov't Project		
Miscellaneous Expense	5,200	-
TOTAL OPERATING EXPENSES	**4,922,029**	1,899,789

Operating expenses are recognized in the statement of income upon utilization of the service or on the date they are incurred.

18. Employees' Compensation and Other Benefits

This account consists of:

	2012	2011
Salaries, Wages & Bonuses	349,600	347,000
SSS,Philhealth and HDMF	123,040	68,472
TOTAL	472,640	415,472

19. **Depreciation and Amortization**

	2012	2011
Constuction Equipment	5,256,126	5,256,127
Furniture and Fixtures	705,514	701,008
Office Equipment	3,529,429	3,528,803
TOTAL	9,491,069	9,485,938.00

Depreciation is computed on a straight line basis.

20. **Taxes and Licenses**

KIND OF TAXES	DATE PAID	AMOUNT
Business permits	1/20/2012	102,059
Registration fees(BIR)	1/28/2012	500
Renewal of car registration	4/5/2012	8,541
Doc stamps	1/22/2012	350
Barangay clearance	1/22/2012	600
Various sanitary permits	1/28/2012	500
TOTAL		112,550

Taxes and licenses include local taxes and other fees.

21. **Financial Instruments**

The Company's financial assets and liabilities are recognized initially at cost which is the fair value of the consideration given (in the case of assets) or received (in the case of liability).

Fair values are determined by reference to market-based evidence, which is the amount for which the financial assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

The following tables set forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of December 31, 2012 and 2011.

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	42,060,163	42,060,163	460,099	460,099
Trade and other Receivables	63,263,676	63,263,676	46,438,162	46,438,162
	105,323,839	**105,323,839**	**46,898,261**	**46,898,261**
Financial Liabilities				
Trade and other Payables	21,379,278	21,379,278	7,022,913	7,022,913
Loans Payable	-	-	-	-
	21,379,278	**21,379,278**	**7,022,913**	**7,022,913**

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

Financial instruments whose carrying amounts approximate fair value. Management has determined that the carrying amounts of cash, trade and other receivables, trade and other payables and due to shareholders reasonably approximate their fair values because of their short maturities.

The company's credit risk primarily attributable to its trade and other receivables from the sale of products provided to the entire province of Visayas & Mindanao. Credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The company also undertakes supplemental credit review procedures for certain instalment payment structures. Customer payments are facilitated through various collection modes including the post dated checks. There is no objective evidence yet to set a provision for impairment. Historical rates cannot be established since the company maintains a very good turn-over on collection.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods and the Company maintains adequate highly liquid assets in the form of inventory to assure necessary liquidity. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

In respect of trade and other receivables, the Company is exposed to any significant credit risk exposure. Trade receivables consists of a regular customer, and based on historical information about said customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good. All of the Company's trade and other receivables have been reviewed for indicators of impairment.

The fair values of trade and other payables have not been individually disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be reasonable approximation of their fair values.

The Company monitors its liquidity needs by carefully monitoring scheduled debt payments for financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are being closely monitored, on a day-to-day and week-to-

week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to 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 amount of dividends paid to shareholders, or issue new shares.

22. Changes arising from the transition to PFRS

Statement of Financial Position

At Dec. 31, 2012

	Notes	Previous Full PFRS	Effect of transition to PFRS for SMEs	PFRS for SMEs
ASSETS				
Current Assets				
Cash	*2,5,21,22*	42,060,163	-	42,060,163
Trade and Other Receivables	*2,6,21,22*	63,263,676	-	63,263,676
Inventories		-		-
Other Current Assets	*2,7,22*	251,094	-	251,094
Total Current Assets		105,574,933	-	105,574,933
Noncurrent Assets				
Property and Equipment	2,8,22	74,245,345	-	74,245,345
### Total Noncurrent Assets		74,245,345	-	74,245,345
TOTAL ASSETS		**179,820,278**	-	**179,820,278**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and Other Payables	*2,9,21,22*	21,379,278	-	21,379,278
Other Current Liabilities	*2,10,22*	18,780	-	18,780
Total Current Liabilities		21,398,058	-	21,398,058
Total Stockholder's Equity	*2,11,12,22*	158,422,220	-	158,422,220
TOTAL LIABILITIES AND FUND BALANCES		**179,820,278**	-	**179,820,278**
Revenue	*2,15,22*	338,481,772	-	338,481,772
Cost of Sales and Services	*2,16,22*	313,139,273	-	313,139,273
Gross Income		25,342,499	-	25,342,499
Other Income		1,620,000	-	1,620,000
Total Income		**26,962,499**	-	**26,962,499**
Operating expenses	*2,17,18,19,20,22*	4,922,029	-	4,922,029
Income Before Tax		22,040,470		22,040,470
Provision for Income Tax		6,612,141	-	6,612,141
Income After Tax		15,428,329	-	15,428,329
Add: Interest on Bank Deposit		-		-
NET INCOME to Retained Earnings		15,428,329		15,428,329
Earnings Per Share	2		0.00	

There is no material differences between the Statements of Cash Flows prepared under full PFRS and the Statement of Cash Flows presented in PFRS for SMEs.

Comparative Financial Highlights (2012)

ARN BUILDERS INC.

Comparative Statement of Financial Position

As of December 31

	Notes	2012	2011
ASSETS			
Current Assets			
Cash	*2,5,21,22*	42,060,163	460,099
Trade and Other Receivables	*2,6,21,22*	63,263,676	46,438,162
Other Current Assets	*2,7,22*	251,094	19,433,545
Total Current Assets		105,574,933	66,331,806
Noncurrent Assets			
Property and Equipment	*2,8,22*	74,245,345	83,685,101
Total Noncurrent Assets		74,245,345	83,685,101
TOTAL ASSETS		179,820,278	150,016,907
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities			
Trade and Other Payables	*2,9,21,22*	21,379,278	7,022,913
Other Current Assets	*2,10,22*	18,780	103
Total Current Liabilities		21,398,058	7,023,016
Stockholder's Equity			
Capital Stock	*2,11,12,22*	158,422,220	142,993,891
Total Stockholder's Equity		158,422,220	142,993,891
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY;		179,820,278	150,016,907

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CEBU CITY NORTH

ARN BUILDERS INC.
COMPARATIVE STATEMENT OF OPERATION
For The Year Then Ended December 31

	Notes	2012	2011
REVENUE:			
from Operations	2,15,22	338,481,772	747,987,874
LESS: Direct Cost	2,16,22	313,139,273	737,214,592
GROSS PROFIT	2,17,18,19,20,22	25,342,499	10,773,282
Other Income: Rental	2,15,22	1,620,000	-
GROSS INCOME		26,962,499	10,773,282
LESS: OPERATING EXPENSES		4,922,029	1,899,789
NET INCOME subject to tax		22,040,470	8,873,493
Less: Provision for Income Tax		6,612,141	2,662,048
NET OPERATING INCOME		15,428,329	6,211,445
Add: Interest Income on Bank Deposit		-	-
NET INCOME TO RETAINED EARNINGS		15,428,329	6,211,445

See accompanying Notes to Financial Statements

Bureau of Internal Revenue
REGION NO. 13
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ARN BUILDERS INC.

Statement of Changes in Stockholder's Equity
FOR THE YEAR then ended December 31

	2012	2011
Capital Stock		
Authorized 900,000 shares Par Value P100 (Subscribed)	90,000,000	90,000,000
Less: Subscription receivable	-	-
Capital issued and outstanding	90,000,000	90,000,000
Additional Paid-In Capital	44,289,029	44,289,029
Retained Earnings		
Balance at the beginning of year	8,704,862	2,493,417
Net Income(*Note 11*)	15,428,329	6,211,445
Balance at the end of year	24,133,191	8,704,861.60
TOTAL	158,422,220	142,993,891

See accompanying Notes to Financial Statements

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ARN BUILDERS INC.

COMPARATIVE CASH FLOW STATEMENT

As of December 31.

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	22,040,470	8,873,493
Adjustment for:		
Depreciation	9,491,069	9,485,937
Operating income before working capital changes	31,531,539	18,359,430
Decrease(Increase) inc:		
Trade and Other Receivables	(16,825,514)	(1,476,821)
Other Current Assets	19,182,451	(19,182,451)
Increase(Decrease) in:		
Trade and Other Payables	14,356,365	(8,831,818)
Other Current Liabilities	18,677	(390)
Net cash generated from(used in) operations	48,263,518	(11,132,050)
Income tax paid	(6,612,141)	(2,662,048)
Net Cash Flows provided(used in) operations	41,651,377	(13,794,098)
Cash Flows from Investing Activity		
Additions to:		
Property and equipment	51,313	-
Net Cash flows from Investing Activities	51,313	-
Cash Flows from Financing Activity		
Capital subscription	-	-
Additional Paid-In Capital	-	-
Net Cash Flows from Financing Activities	-	-
Net Increase(decrease) in cash and cash equivalent	41,600,064	(13,794,098)
Cash and cash equivalent at Beginning of year	460,099	14,254,197
Cash and Cash Equivalent at end of year	42,060,163	460,099

See accompanying Notes to Financial Statements

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List of Equipment

List of Equipments

List of Equipment

List of Equipments:

Business Name: ARN BUILDERS, INC.
Business Address: 2nd Floor Northgate Centre, Gov. Cuenco Ave., Banilad, Cebu City

No.	DESCRIPTION	Quantity	Brand/ Model/Plate #	Capacity	Motor#/ Engine#/ Chassis #
1	Aircompressor w/ Breathing Apparatus	2			
2	ASPLANT BATCHING PALNT	1		80T	
3	Backhoe Loader	1	Caterpillar		
4	Backhoe w/ Hydraulic Breaker	2			
5	Bar Bender	1			
6	Bulldozer	1	CAT D6H-LGP	20.5 tons	BD233
7	Bulldozer	1	Komatsu Bulldozer - D Boa	20T	NH220-0868N42826 Dso-12-15626
8	CRAWLER EXCAVATOR	1	KATO		KE 5 646 02 1823
9	Crawler Truck Mounted Crane	1	KATOL TADANO T6600E	60 T	HYDRAWLIC 2007
10	CONGCRETE BATCHING PLANT	1	PORTABLE	60 T	JH 80C-10120
11	Concrete Batching Plant (Portable)	1		20T/hr	
12	Concrete Mixer	1		7.5 HP	
13	Concrete Cutter	1	Tmc 758-0480		pdc- 047860
14	DYNAPAC VIBRATORY ROLLER	1	CA25		CHASSES # 238-517, ENGINE # 3208
15	Dumptruck	1	GMT-249		
16	Dumptruck	1	GMT-170		
17	ELF Truck	1	Isuzu	2.5 tons	ET-681
18	Excavator	1	KDHI Solar130II	0.5 cu.m	EX-388
19	HYDRAWLIC DROP HAMMER	1	DELMA 61H D35		DM 4015 A
20	Motor Grader	1	Caterpillar D6H		
21	Motor Grader w/ Scarifier	1			LG2-TCM 37111+5072
22	Payloader	1	Caterpillar	950 G	6BDI-713648
23	Payloader	1	Komatsu JH80c-10120		PDA-D33539T
24	Prime Vibratory Hammer	1	BC-10B	3-4Hp	
25	Road Roller	2	Bomag		
26	Road Grader	1	Michigan TCM 37711		Tcm 375072 DA640-532746
27	Truck Mixer	1	CRL-432		


DUMP TRUCK


VIBRATORY ROLLER


MIXER TRUCK


BACKHOE LOADER


CRAWLER EXCAVATOR

28	Ten Wheeler Dump Truck	1	D85A-18 Serial #31342	20T	N855c-26193462
29	Vibratory Compactor w/ Screeder	2			
30	Vibratory Roller	1	Bomag BW212D-3	12 tons	VR-235
31	Watanabe Road Roller	1	Watanabe		DA205-64 ww032
32	Water pump	1	CRB-429		
33	Water Truck	1	Daewoo K7C6A	15 KL	WT-381
35	Welding Machine	1	Kubota	250Amps	ER-100-M-01036
36	Wheel Loader	1	Komatsu WA320-1	2.3 m	Wl-519
37	Wheel Loader	1	Daewoo Mega300-5	3 cu.m	WL-561

MIXER TRUCK

GENERATOR

MOTOR GRADER

BULLDOZER

FUEL TRUCK

List of Major Accomplished Projects & Clients

Name of Project	Owner	Project Cost	Duration	Date Completed
1 Construction of Sta.Fe Municipal Bldg.	Municipal Gov't of Daan Bantayan	14.0 M	180 cd	Sep.. 1995
2 Construction of Residential Building	Doña Nilda Martinez	12.0 M	90 cd	Oct. 1995
3 Construction of Daan Bantayan Sports Complex	Municipal Gov't of Daan Bantayan	11.4 M	90 cd	Nov. 1995
4 Rehabilitation of Verallo Hospital	DOH	18.0 M	130 cd	Dec. 1995
5 Construction of Anoling Bridge	RRDP	11.8 M	140 cd	April 1996
6 Fabrication of Pre-Strees RC Piles-Kulipapa Bridge	DPWH	10.0 M	60 cd	July 1996
7 Post-Tensioning of Girder Jaluar Br., Ilo-ilo City	DPWH	30.0 M	120 cd	Aug. 1996
8 Recla.of Pulang Bato Port	Rainbow Ferry Inc	17.0 M	180 cd	Dec. 1996
9 Construction of 18 Storey Park Tower I	Sub-Contract	6.0 M	200 cd	Dec. 1996
10 Construction of 5 Storey Post Tensioning Bldg.	Mr. Saturnino	15.0 M	210 cd	Jan. 1997
11 Site Development of Villa Roamana I	Mr. Balili	10.7 M	240 cd	Oct. 1997
12 Construction of Shell Gas Station	Pilipinas Shell	10.0 M	60 cd	Jan 1998
13 Daan Bantayan Water Works	Municipality of Daan Bantayan	26.2 M	220 cd	Jun 1999
14 Rehab/Concreting of Dumlog Camban-ug - Mallubog Brgy. Road	DPWH Region VII	28.8 M	300 cd	July 2001
15 Imprvmnt. of Waterworks System, 1st Dist., Bohol	DPWH Reg. VII	20.1 M	125 cd	Nov. 2002
16.Concrtng. of JCT Natl. Rd. in Capiz	DPWH Reg. VI	18.7 M	300 cd	May 2002
17 Constn. of Maghaway Detn. & Rehab Center	Talisay City Govt.	15.6 M	240 cd	Nov. 2002

18. Concrtng. of Loay Int. Rd. Dagohoy, Bohol	DPWH Reg. VII	14.3 M	170 cd	Sep. 2002
19. Concrtng. of Toledo-Tabuelan Rd.	DPWH Cebu 3rd Dist.	10.5 M	185 cd	Oct. 2002
20. Constn. of DECS Office Bldg.	Mandaue City Engineering	35.5 M	240 cd	Aug. 2002
21. Imprvmnt. of Waterworks System	DPWH Bohol First District	20.1 M	125 cd	Mar. 2003
22. Constn. of Lanuza Water System	Lanuza, Surigao del Sur	11.9 M	180 cd	Feb. 2004
23. Constn. of Cagwait Water System	Cagwait, Surigao del Sur	23.8 M	240 cd	Jun. 2004
24. Const. of Cortes-Balilihan Nat'l Rd.	DPWH Reg. VII Bohol	48.1 M	470 cd	Nov. 2004
25. Const. of Passenger Terminal	Cebu Port Authority	12.4 M	150 cd	Dec. 2004
26. Prov. of R.C. Deck w/ RORO Ramp	Cebu Port Authority	12.3 M	180 cd	Jan. 2005
27. Improvement of Waterworks System	Mun. of Malalag Davao del Sur	14.6 M	300 cd	Feb. 2005
28. Road Upscalling/Improvement	Ramon Aboitiz Fdn	11.4 M	105 cd	Apr 2005
29. Conc of Maribojoc-Antiquera Rd	DPWH-Reg. VII	24.1 M	300 cd	Aug 2005
30. Rehab of Farm to Market Road	Mun. of Bunawan Agusan del Sur	10.3 M	180 cd	Nov 2005
31 Constn. of Dumalag Bridge	DPWH-Capiz	14.5 M	280 cd	Apr 2006
32 Constn./Expansion/Rehab of Water System	LGU-Matalom, So. Leyte	18.3 M	150 cd	Jun 2006
33 Constn. of Dam Embnkmnt	Natl. Irrig. Admin.	12.5 M	270 cd	Aug 2006
34 Constn. of Exec. Bldg.	Mandaluyong City	297.0 M	360 cd	Sep 2006
35 Repari/Rehab Mactan Circ. Road	DPWH Reg. VII	18.2 M	40 cd	Nov 2006

36 Construction/Rehabilitation of San Francisco Water Supply system	LGU-San Francisco So. Leyte	12,575,394.72	150 cd	May 18, 2006
37 Construction of Banica Bridge Roxas City, Capiz	DPWH Region VII	13,793,973.76	270 cd	Feb. 2007
38 Construction of Hall of Justice Lawaan 2, Talisay City	City of Talisay	24,991,888.88	180 cd	July 30, 2006
39 Widening of Passenger (Tourist) Access Lane, Port of Biri	Phil. Ports Authority	7,445,834.99	152 cd	Nov. 11, 2006
40 Maintenance/Rehabilitation/ Improvement of Toledo-Aluguinsan Mantolongon Road Km. 79.400-81.900	DPWH Region VII	14,988,165.05	28 cd	Sept. 10, 2007
41 Maintenance/Rehabilitation/ Improvement of Toledo-Aluguinsan Mantolongon Road Km. 81.900-84.400	DPWH Region vII	14,984,999.91	28 cd	Sept. 10, 2007
42 Concreting of Altavas Diversion Roads, Altavas, Aklan	DPWH Region VI	16,520789.88	120 cd	Jan. 8, 2008
43 Improvement of Padre Burgos Port, Padre Burgos, Southern Leyte	Philippine Ports Authority	11,883,074.84	112 cd	Dec. 19, 2007
44 Extension of R.C. Pier and Const. Roro Ramp at Brgy. Balite, Kawayan Biliran Province	Philippine Ports Authority	13,940,3983.84	100 cd	May 30, 2008

45 Concreting of Bais-Kabankalan road Intermittent Section	DPWH Region VII	95,268,269.00	300 cd	July 29, 2008
46 Repair/Rehabilitaiton of Aklan East Road-Kalibo Banga-Balete Sec.	DPWH Kalibo Eng'g District	1,442,160.00	10 cd	Dec. 26,2008
47 Cleaning/Repair of Kalibo Streets	Kalibo, Aklan	2,709,539.08	10 cd	Dec. 8, 2008
49 Rehab/Repair of Damaged Paved National Road,Generated from Pav ement Management System Highway Deve lopment Mgt.4 (HDM-4) Aklan East Road	Kalibo, Aklan	19,283,215.50	270 cd	Dec. 8, 2008
50 Cluster-Concreting of Roads, Compostela and Carmen Cebu	Compostela/Carmen Cebu	10,162,080.36	90 cd	June 30, 2009
51 Rehabilitation/Reconstruction Upgrading of Damaged Paved Nat'l Roads Government form Pavement and Management System/Highway Dev't. and Mgt. (HDM-4)Aklan, East Road	Kalibo, Aklan	31,794,991.13	240 cd	Nov. 18, 2009

DIRECTORY OF OFFICE

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