MEGAWIDE

November 14, 2012

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza,
Ayala Triangle, Ayala Avenue,
1226 Makati City, Philippines

Attention: MS. JANET ENCARNACION

MEGAWIDE CONSTRUCTION CORPORATION
Company's Full Name

2/F Spring Bldg.,
Arnaiz Ave. cor. P. Burgos St., Pasay City
Company's Address

655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17 – Q
Form Type

September 30, 2012
Period Ended Date

–
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(Secondary License Type and File Number)

cc: Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements of Megawide Construction Corporation ("Megawide") as of September 30, 2012 with comparative figures as of December 31, 2011 and September 30, 2012, Cash Flows and Schedule of Aging Accounts Receivable is incorporated by reference as Exhibit 1.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Review of results for the nine (9) months ended September 30, 2012 as compared with results for the nine (9) months ended September 30, 2011

Results of Operations

Revenues and Cost of Construction

Megawide recorded a gross revenue of P5.61 billion as of the third quarter of 2012. There is an increase of 24% compared to revenues booked for the same period in 2011 amounting to P4.54 billion. The increase in contract revenues and its corresponding costs is mainly due to the following new projects: Linear, Studio City and Studio Zen of Filinvest Land, Inc., Jazz Phase 2 and Grass Tower 2 of SM Development Corporation ("SMDC"). Total revenue generated from these projects amounted to 1.34 billion as of the end of 3rd quarter. Operating efficiency improved significantly in 2012 due to better control on construction expenses. As a result, net income increased to P633 million from P357 million it earned during the same period in 2011.

Review of financial condition as of September 30, 2012 as compared with financial condition as of December 31, 2011

Financial Condition

As of the end of the third quarter of 2012, total assets stood at P9.93 billion, 27% higher than P7.83 billion as of the end of 2011. Current assets grew by 21% due to the increase in short-term investments by 157% because Megawide invested its cash in short-term money market products that significantly contributed to the decrease in cash and cash equivalents. In addition, trade and other receivables increased by 22% or P700 million because of the increased in accounts and retention receivables by P660 million and inventory by P208 million because of the additional raw materials of precast plant and unused construction materials for the on-going projects. Other current assets also increased by 119% due to the increase in excess input tax on local purchases by P123 million.

Meanwhile, non-current assets grew by 40% due mainly to the increase in property and equipment and other non-current assets which include deferred input tax on purchases of capital asset. Increase in property and equipment was a result of the additions of newly acquired precast plant machineries and construction equipment to support the existing and new projects of Megawide.

On the other hand, total liabilities registered an increase of 41%, from P3.92 billion as of the end of 2011 to P5.53 billion at the end of the third quarter of 2012. This is mainly due to the increase in Interest-bearing loans by 52% as a result of additional short-term bank loans for working capital use.

Material Changes to Megawide's Inco

There are no other material changes in Megawide's financial position by five percent (5%) or more and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition of Megawide.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance transactions, arrangements, obligations (including contingent obligations), and other relationships of Megawide with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of Megawide.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of Megawide.

There are no explanatory comments on the seasonality of interim operations. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature. Neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth information from Megawide's pro forma statements of cash flows for the periods indicated:

(Amounts in P millions)	**For nine (9) months ended September 30**	
Cash Flow	2012 (unaudited)	2011 (unaudited)

Indebtedness

As of September 30, 2012, Megawide has not been in default in paying interests and principal amortizations.

Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

RISK MANAGEMENT OBJECTIVES AND POLICIES

Megawide is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors, and focuses on actively securing Megawide's short-to-medium term cash flows by minimizing the exposure to financial markets.

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are described below and in the succeeding pages.

Market Risk

Megawide has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, except for U.S. dollar and Euro denominated Cash in D 0 BDC /TT

Cash and cash equivalents	**P**	**409,496,689**
Short-term investments		**2,000,670,032**
Trade and other receivables excluding advances to suppliers		**3,094,769,144**
Refundable security deposits		**11,628,442**
	P	**5,516,564,307**

The credit risk for cash and cash equivalents and short-term investments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings and government bonds which are considered secured. About 64% of Megawide's contract receivables as of September 30, 2012 due from SMDC. Megawide mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from this customer and ensuring that collections are received within the agreed credit period.

Contract receivables are usually due within 30 to 60 days and do not bear any interest. Some of the unimpaired trade receivables are past due as at the end of the reporting period. No other financial assets are past due at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

Not more than 3 months	**P**	**1,072,148,677**
More than 3 months but not more than 4 months		**427,504,890**
More than one year		**11,935,624**
	P	**1,511,589,191**

Megawide's management considers that the financial assets which are past due but not impaired for each reporting period are of good credit quality based on historical default rates. The balance of such receivables relates to reputable companies that have a good track record with Megawide.

Megawide is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. Megawide can negotiate, before the end of the lease term, to apply deposit to rentals due.

Liquidity Risk

Megawide manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis significant judgment in classifying its FVTPL in the fair value hierarchy because of the availability of a market that quotes prices of identical asset.

Megawide considered the risk in the valuation of its financial assets by referring to quoted prices in an active markets for its FVTPL, regularly monitor the age of its receivables from its customers and ensuring that collections are received within the agreed credit period. Impairment loss is provided when there is objective evidence that Megawide will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Financial liabilities are recognized when Megawide becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss as part of Finance costs under the Other income (charges) account in the statement of comprehensive income.

Megawide's FVTPL is the only financial asset measured at fair value as of the end of the second quarter. Megawide sold its FVTPL in first quarter resulting to gai965 TD(Megawide's FVTPL is the

Notes:

1. Current Ratio (Current Assets / Current Liabilities)
   To test Megawide's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)
   Measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on inventory
3. Cash Ratio (Cash + Cash Equivalents + Marketable Securities/ Current Liabilities)
   A more conservative variation of quick ratio. It measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on receivables and inventory.
4. Book Value per Share (Equity/Shares Outstanding)
   Measures the amount of net assets available to stockholders of a given type of stock
5. Interest-Bearing Debt Ratio (Interest-Bearing Debt/ Equity + Interest-Bearing Debt)
   Measures the extent to which the assets having explicit cost are financed by interest-bearing debt
6. Total debt ratio (Total Liabilities/Total Assets)
   Measures the percentage of funds provided by creditors
7. Asset to equity ratio (Total Measu4rA2ID 2 BDC 19.0012 interest-Total tsslo9-hTT1 1 Tf0 Tc 0.69 e/P

PART II – OTHER INFORMATION

Submissions of SEC Form 17-C:

Date Filed	Particulars
July 2, 2012	Clarification of news item published in Philippine Daily Inquirer on June 27, 2012
July 2, 2012	Approval by the Board of Directors of the declaration of cash dividends in the amount of Php0.13 per share or a total of Php150,024,528.20 out of the unrestricted retained earnings of Megawide as of December 31, 2011, payable on August 15, 2012 to stockholders of record as of July 20, 2012 Discussion by the Board of Directors on a plan to establish a dividend policy of declaring annual cash and/or stock dividends ranging from payout ratio of 10 to 20 per cent subject to available unrestricted retained earnings, corporate expansion projects, planned capital expenditures and other needs for special allocation Election of the following members of the Board of Directors for the ensuing year: 1. Michael Cosiquien; 2. Edgar B. Saavedra; 3. Yerik C. Cosiquien; 4. Elizabeth Anne C. Uychaco; 5. Florentino A. Tuason, Jr.; 6. Leonor M. Briones (independent director); and 7. Leonilo G. Coronel (independent

	Oliver Tan - Member <u>Audit and Risk Management Committee</u> Leonilo Coronel (independent director) - Chairman Michael Cosiquien - Member Elizabeth Anne Uychaco - Member <u>Compensation Committee</u> Leonilo Coronel (independent director) - Chairman Florentino Tuason, Jr. - Member Edgar Saavedra - Member <u>Nomination Committee</u> Leonor Briones (independent director) - Chairman Yerik Cosiquien - Member Louie Ferrer - Member
July 6, 2012	Report on the number of shareholders owning 1 board lot each and Foreign Ownership Report as of June 30, 2012
July 10, 2012	Disclosure to PSE on the transfer of shares of stock of Michael Cosiquien and his family and Edgar Saavedra and his family in the Corporation to Citicore Holdings Investment, Inc.
July 17, 2012	List of Top 100 Stockholders as of June 30, 2012
July 17, 2012	Public Ownership Report as of June 30, 2012
July 24, 2012	Report on the use of proceeds as of June 30, 2012
August 8, 2012	Report on the number of shareholders owning 1 board lot each and Foreign

	Ownership Report as of July 31, 2012
August 14, 2012	Clarification of news item published in on August 13, 2012
September 7, 2012	Report on the number of shareholders owning 1 board lot each and Foreign Ownership Report as of August 31, 2012

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed by the undersigned thereto duly authorized.

MEGAWIDE CONSTRUCTION CORPORATION

By:

MICHAEL C. COSIQUIEN

EXHIBIT I

MEGAWIDE CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in Philippine Pesos)
(UNAUDITED)

	NINE MONTHS		THREE MONTHS	
	2012	2011	**2012**	2011
CONTRACT REVENUES	P 5,607,316,188	P 4,5[illegible]	P 1,968,234,[illegible]	P 1,752,810,826
CONTRACT COSTS	4,688,417,602	3,882,797,000	1,657,941,433	1,497,139,580
GROSS PROFIT	918,898,586	652,735,981	310,293,156	255,671,246
OTHER OPERATING EXPENSES	208,388,015	162,245,540	86,645,479	53,254,472
OPERATING PROFIT	**710,510,571**	490,490,441	223,647,677	**202,416,774**
OTHER INCOME (CHARGES)				
Finance income	**50,430,597**	37,596,845	16,889,396	**21,817,296**
Finance costs	([illegible]2,450)	(28,554,532)	(37,075,566)	(18,963,296)
Others - net	13,97[illegible],899	(93,184)	(74,540)	-
	(5,845,953)	8,949,129	(20,260,710)	2,854,000
PROFIT BEFORE TAX	704,664,618	499,439,570	203,386,966	205,270,774
TAX EXPENSE	(71,169,360)	(142,258,858)	(44,243,450)	(57,745,211)
NET PROFIT	633,495,258	357,180,712	159,143,516	147,525,563
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	P 633,495,258	P 357,180,712	P 159,143,516	P 147,525,563
Earnings per Share				
Basic and Diluted	P 0.57	P 0.44	P 0.29	P 0.18

(See Notes to Financial Statements)

MEGAWIDE CONSTRUCTION CORPORATION

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

(Amounts in Philippine Pesos)

	SEPTEMBER 30, 2012	December 31, 2011
	(UNAUDITED)	(AUDITED)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	P 486,498,[illegible]	P 1,440,577,[illegible]
Short-term investments	2,023,660,[illegible]	777,938,096
Trade and other receivables - net	3,725,845,692	[illegible]
Inventory	379,462,609	171,171,138
Other current assets	204,[illegible]53,617	93,349,979
Total Current Assets	[illegible]	5,539,076,139
NON-CURRENT ASSETS		
Property and equipment - net	3,073,0[illegible]	2,183,564,852
Other assets	[illegible]	[illegible]
Total Non-current Assets	3,216,136,[illegible]	2,294,792,[illegible]

[illegible]

MEGAWIDE CONSTRUCTION CORPORATION

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MEGAWIDE CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in Philippine Pesos)
(UNAUDITED)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 704,664,618	P 294,168,795
Adjustments for:		
Depreciation	244,252,195	90,274,435
Interest expense	70,252,45[illegible]	9,591,256
Interest income	(50,430,597)	(15,779,549)
Operating profit before working capital changes	968,738,665	378,254,917
Decrease (Increase) in trade and other receivables	(669,906,669)	899,861,791
Increase in construction materials	([illegible],471)	(2,653,777)
Increase in costs in excess of billings on uncompleted contracts	-	([illegible],210,222)
Increase in prepayments and other current assets	(182,382,9[illegible])	(70,996,896)
Decrease in other non-current assets	(30,948,632)	[illegible]
Decrease in trade and other payables	(200,297,009)	(187,047,369)
Increase in deposits	-	49,838,645
Increase (Decrease) in billings in excess of costs on uncompleted contracts	957,540,647	(768,800,[illegible])
Decrease in retirement benefit obligation	-	949,319
Cash generated from operations	634,451,933	165,195,797
Cash paid for income taxes	-	(45,237,503)
Net Cash From Operating Activities	634,451,933	119,958,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Short-term Investments	(1,222,731,936)	(1,480,992,756)
Acquisitions of property, plant and equipment	([illegible],234,646,983)	(727,881,513)
Interest received	50,430,597	15,779,549
Net Cash Used in Investing Activities	(2,306,[illegible])	[illegible]

MEGAWIDE CONSTRUCTION CORP.

Aging of Receivables

As of September 30, 2012

[illegible]	[illegible]	[illegible]	18,81[illegible]	[illegible]	-	45,3[illegible],512
BELLE CORPORATION	-	-	-	-	38,626,650	38,626,6[illegible]
DYNAMIC REALTY	-	31,243,966	-	-	-	31,243,966
DEXTERTON CORP.	18,0[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEGAWIDE CONSTRUCTION CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Amounts in Philippine Pesos)
(UNAUDITED)

1. CORPORATE INFORMATION

Megawide Construction Corporation (the Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs general construction works which involve site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

Currently, the Company is continuously engaged in the business of construction, its sole business activity where it utilizes the services of subcontractors. Hence, no segment information and disclosures are presented in the Company's financial statements.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Philippine Securities Exchange Commission (SEC) approved the Company's application for the listing of its common stock. The approval covers the initial public offering of 292 million unissued common shares of the Company at P7.84 offer price per share and the listing on PSE's main board on February 18, 2011.

The registered office of the Company, which is also its principal place of business, is located at the 2nd Floor Spring Building, Arnaiz Avenue corner P. Burgos St., Pasay City. The Company also maintains an engineering office at No. 66 Scout de Guia cor. Scout Tobias, Brgy. Laging Handa, Quezon City, and an extension office at 3rd Floor of JSB Building, Tomas Morato, Quezon City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial

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

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, . The Company presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

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

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

2.1 Adoption of New Interpretations, Revisions and Amendments to PFRS

In 2011, the Company adopted the following amendments, interpretation and annual improvements to PFRS that are relevant to the Company and effective for financial statements for the annual period beginning on or after January 1, 2011:

PAS 24 (Amendment) P : Related Party Disclosures A S
Philippine Interpretation d

Discussed below are the effects on the financial statements of the new interpretation, amendments, interpretation and improvements to PFRS and related interpretation.

(i) PAS 24 (Amendment), (effective from January 1, 2011). The amendment simplifies and clarifies the definition of a related party by eliminating inconsistencies in determining related party relationships. The amendment also provides partial exemption from the disclosure requirements for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of this amendment did not result in any significant changes on the Company's disclosures of related parties in its financial statements.

(ii) Philippine Interpretation IFRIC 14, (Amendment), (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a surplus for defined benefit plans based on PAS 19, , that are subject to a minimum funding requirement. The Company is not subject to minimum funding requirements and it does not usually make substantial advance contributions to its retirement fund, hence, the adoption of the revised standard has no material effect on its financial statements.

(iii) Philippine Interpretation IFRIC 19, (effective from July 1, 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of a financial liability through issuance of equity instruments to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39, ;
- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;
- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,
- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

The adoption of the interpretation did not have a material effect on the Company's financial statements as it did not extinguish financial liabilities through equity swap during the year.

(iv) 2010 Annual Improvements to PFRS. The FRSC has adopted the . Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments which are effective from January 1, 2011 were identified to be relevant to the Company's financial statements but which did not have any material impact on its financial statements:

- PAS 1 (Amendment), (effective from July 1, 2010). The amendment clarifies that, for each component of equity, an entity may present an analysis of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. As the Company currently has no other comprehensive income, the adoption of this standard did not impact the Company's financial statements.

- PAS 34 (Amendment), (effective from January 1, 2011). The amendment provides further guidance to illustrate how to apply disclosure principles under PAS 34 for significant events and transactions to improve interim financial reporting. It requires additional disclosure covering significant changes to fair value measurement and classification of financial instruments, and to update relevant information from the most recent annual report. This amendment has no significant effect on the interim financial statements as the Company already provides adequate information in its interim financial statements.

- PFRS 7 (Amendment), (effective from January 1, 2011). The amendment clarifies the disclosure requirements which emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks arising from financial instruments. It also amends the required disclosure of financial assets including the financial effect of collateral held as security. This amendment has no significant effect on

		Financial Instrument Disclosures
PFRS 1 (Amendment)	:	First Time Adoption of PFRS –
PFRS 3 (Amendments)	:	Business Combinations
IFRIC 13	:	Customer Loyalty Programmes – Fair Value of Awards Credits

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2011. Management has initially determined the following pronouncements, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 1 (Amendment), (effective from July 1, 2012). The amendment requires an entity to group items presented in Other Comprehensive Income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Company believes that adoption of this amendment in 2013 will not have any significant effect on its financial statements as the Company currently has no other comprehensive income.

(ii) PAS 19 (Amendment), (effective from January 1, 2013). The amendment made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;

- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

Currently, the Company is using the corridor approach and its unrecognized actuarial losses as of December 31, 2011 amounted to P20.6 million which will be retrospectively recognized as losses in other comprehensive income in 2013.

(iii) PFRS 7 (Amendment),
(effective from July 1, 2011). The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets transactions of financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Company does not usually enter into this type of arrangement with regard to transfer of

- If the Company decides to early adopt for its 2012 financial statements, the June 30, 2012 financial statements will already reflect the application of PFRS 9 and qualitative and quantitative discussion of the impact evaluation.

- The Company decided not to early adopt PFRS 9 in its June 30, 2012 financial statements.

(v) PFRS 13, (effective January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Company believes that the adoption of the new standard in 2013 will not have any significant effect on its financial statements as the Company usually enters into transactions which results in assets being classified as “hold-to-collect contractual cash flows,” thus, measured at amortized cost.

2.2 Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company

2.4 Property and Equipment

Property and equipment, except land and construction in progress, are carried at acquisition cost or construction cost less subsequent depreciation and any impairment losses. Land held for use in operations or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and any impairment losses are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

2.5 Intangible Assets

Intangible assets include acquired computer software licenses, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from three to five years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.13.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Costs that are directly attributable to the development phase of new customized software for information technology are recognized as intangible assets if, and only if, the Company can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset is determined as the difference between the net disposal proceeds and carrying value of the asset, and is charged to profit or loss for the period.

2.6 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, and trade and other payables [excluding output value-added tax (VAT) payable, unearned income and estimated liability on litigation claims] are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Company becomes a par

of comprehensive income. Interest-

Obligations under finance lease (included as pa

2.8 Construction Revenue and Costs

The Company uses the percentage of completion method to determine the appropriate amount to recognize as contract revenue and cost in a given period. The stage of completion is measured through surveys done by the Company's project engineers in accordance with terms, conditions and technical specifications stipulated in the contract. Contract cost is determined based on total estimated cost to complete the project, as determined by project engineers, taking into consideration the stage of completion of the projects.

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract based on the percentage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings under current assets as Costs in excess of billings on uncompleted contracts. Progress billings not yet paid by customers and retention are included in Trade and other receivables account in the statement of financial position.

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses) under current liabilities as Billings in excess of costs on uncompleted contracts.

Prior to commencement of the project, cash received from customers are presented as Advances from customers account under the current liabilities section of the statement of financial position.

2.9 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding VAT.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

– Revenue from construction of buildings is recognized using the percentage-of-completion method based on the physical completion of the project (see Note 2.9).

2.12 Impairment of Non-financial Assets

The Company's property, plant and equipment and intangible assets are subject to impairment testing. All non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.
Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

2.13 Employee Benefits

Post-employment benefit is provided to employees through a defined benefit plan.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's post-employment defined benefit plan covers all regular full-time employees. The post-employment plan is non-contributory and administered by a trustee.

The liability recognized in the statement of financial position for post-employment defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future within the 10% corridor are disclosed separately. Past service costs are recognized immediately in the profit or loss, unless th

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

The Company has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and disclosure of contingencies are discussed in Note 2.7.

3.2 Key Sources of Estimation Uncertainty

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

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

There was no allowance for obsolescence provided on inventories in both years.

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with

P 2,519,208,039	P 1,662,807,415