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

March 31, 2014
Period Ended Date

–

(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 March 31, 2014 with comparative figures as of December 31, 2013 and March 31, 2014, 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 three (3) months ended March 31, 2014 as compared with results for the three (3) months ended March 31, 2013

Results of Operations

Revenues and Cost of Construction

Megawide recorded gross revenues of P2.79 billion in the first quarter in 2014. There is an increase of 6% or P148 million compared to revenue booked in the same period in 2013 amounting to P2.65 billion. The slight increase is brought by higher accomplishment of some projects in 2014 such as the PPP infrastructure school project.

Cost of construction is P2.28 billion and P2.21 billion in 2014 and 2013, respectively. There is a minor increase of 3% or P72 million. Increase is related to the increase in revenue.

Operating expenses decreased by 27% or P31 million due to the decrease in taxes and licenses and bank charge attributable to the corporate note issued in February 2013. Issuance cost related to corporate note issuance is P39 million.

Review of financial condition as of March 31, 2014 as compared with financial condition as of December 31, 2013

Financial Condition

As of the end of first quarter of 2014, total assets stood at P21.25 billion, 1% lower than its value of P21.50 billion as of the end of 2013.

Current assets decreased by 1% or P219 million due to the following:

Cash and cash equivalents decreased by 44% or P1 billion. Of the total decrease, P800 million was invested in short-term placements with local banks.

Financial assets at fair value through profit or loss increased by 14% or P800 million due to additional placements made in the first quarter.

Trade and other receivables decreased by 14% or P600 million due to the collection from Citicore-Megawide Consortium Inc. towards the end of the first quarter.

Construction materials increased by 45% or P150 million due to voluminous purchases of construction materials required by projects especially for PPP school infrastructure project of the Department of Education.

Cost in excess of billings increased by 8% or P180 billion because of cost of construction already incurred but not yet billed towards the end of the quarter.

Other current assets also increased by 11% or P216 million due to the increased in advances/downpayments to suppliers and subcontractors and increase in input vat.

Property and equipment decreased by 1% or P40 million due to the depreciation of assets in the first quarter of 2014.

Other non-current asset by 5% or 10 million due to deferred input vat on purchases of capital asset.

As of the end of first quarter, total liabilities registered a decrease of 4% from P12.96 billion as of the end 2013 to P12.38 billion at the end of the first quarter of 2014.

Current liabilities decreased by 7% or P554 million due to:

Interest-bearing loans and borrowings – current decreased by 15% or P365 million due to net payment of short-term loans in the first quarter.

Trade and other payables increased by 18% or P356 million due to the increase in trade payables and retention payable. Retention payable is paid to subcontractors upon completion of the work commissioned to them.

Increase in trade payable is due to voluminous purchases of materials and services required by the project sites.

Billings in excess of costs on uncompleted contracts – net decreased by 20% or P455 million due to higher net revenue derived from new projects because of lesser costs that are incurred during the structural phase of the project compared with the finishing phase of the project.

Advances from customers decrease by 9% or P88 million due to recoupment of advances from customers based on the evaluated percentage of completion.

Interest-bearing loans and borrowings – non-current decreased by P23 million because of the reclassification of non-current portion of finance lease to current.

As of the end of first quarter, total equity registered an increase of 4%, from P8.54 billion as of 2013 to P8.87 billion at the end of first quarter of 2014.

Increase in equity is due to net income amounting to P328 million as of the end of the first quarter.

Material Changes to Megawide's Income Statement for the Quarter Ended March 31, 2014 compared to the Income Statement for the Quarter En

- Advances from customers- decrease by 9% or P88 million due to recoupment of advances from customers based on the evaluated percentage of completion.

- Billings in excess of costs on uncompleted contracts – net decreased by 20% or P455 million because of higher net revenue derived from new projects because of lesser costs that are incurred during the structural phase of the project compared with the finishing phase of the project.

- Interest-bearing loans and borrowings – non-current decreased by P23 million because of the reclassification of non-current portion of finance lease to current.

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 0ual in>0<

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

(Amounts in P millions)	**For three (3) months ended March 31**	
Cash Flow	2014 (unaudited)	2013 (unaudited)

More than 90 days but Less than 120 days	**13,089,880**
More than 360 days	**273,099,519**
	P 1,730,031,036

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.

(c) Refundable Security Deposit

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.

different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The Company's financial assets currently include FVTPL and loans and receivables as described in more detail as follows:

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables and Refundable security and bond deposits (presented under Other Current Assets) in the statement of financial position. Cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company 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 (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of the financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

Financial liabilities, which include interest-bearing loans and borrowings and trade and of the liability for at least twelve months after end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

Megawide does not have investment in foreign securities.

Key Performance Indicators

Megawide's top key performance indicators (KPIs) are listed below:

LIQUIDITY RATIOS		
Key Indicators	**March 31, 2014**	**March 31, 2013**
Current ratio[1]	2.28	1.98
Acid test ratio[2]	1.58	1.48
Cash ratio[3]	1.09	1.01
Book value per share[4]	5.38	4.58

SOLVENCY RATIOS

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. Debt to equity ratio (Total Liabilities / Equity)
   It indicates what proportion of equity and debt the company is using to finance its assets
8. Asset to equity ratio (Total Asset / Total Equity)
   Shows the relationship of the total assets to the portion owned by shareholders. Indicates Megawide's leverage, the amount of debt used to finance the firm.
9. Earnings per Share (Net Income / Average Outstanding Shares)
   Reflects Megawide's earning capability
10. Return on Assets (Net Income / Total Assets)
    Indicates whether assets are being used efficiently and effectively
11. Return on Equity (Net Income / Equity)
    Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested
12. Net Profit Margin (Gross Profit / Total Sales)
    Measures the percentage of net income to sales

PART II – OTHER INFORMATION

There are no any information not previously reported in a report on SEC Form 17-C.

SIGNATURES

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

MEGAWIDE CONSTRUCTION CORPORATION

By:

MICHAEL C. COSIQUIEN	**OLIVER Y. TAN**
Principal Executive Officer	Principal Financial Officer
Date: May 14, 2014	Date: May 14, 2014

Finance income
Finance costs
Others - net

	2014	2013
CAPITAL STOCK		

MEGAWIDE CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(Amounts in Philippine Pesos)
(UNAUDITED)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 355,855,849	P 360,920,151
Adjustments for:		
Depreciation	125,742,795	117,815,474
Interest income	(8,504,707)	(76,227,784)
Interest expense	94,118,795	48,894,641
Operating profit before working capital changes	567,212,732	451,402,482
Decrease in trade and other receivables	594,713,049	619,231,880
Increase in construction materials	(151,171,230)	(109,058,200)
Increase in costs in excess of billings on uncompleted contracts	(180,142,843)	(578,027,906)
Increase in other current assets	(243,758,151)	(170,096,935)
Increase in other non-current assets	(10,508,648)	(14,455,116)
Increase (Decrease) in trade and other payables	354,484,485	(400,237,503)
Increase (Decrease) in advances from customers	(87,881,839)	825,465,406
Decrease in billings in excess of costs on uncompleted contracts	(455,126,826)	(95,617,220)
Net Cash From Operating Activities	387,820,729	528,606,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(85,365,234)	(321,467,501)
Increase in short-term investments	(836,474,649)	(3,214,162,896)
Interest received	8,504,707	76,227,784
Net Cash Used in Investing Activities	(913,335,177)	(3,459,402,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	1,070,721,980	5,274,032,085
Payment of loans	(1,459,854,914)	(1,535,311,765)
Interest paid	(94,118,795)	(48,894,641)
Net Cash From Financing Activities	(483,251,729)	3,689,825,679
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,008,766,177)	759,029,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,276,033,774	209,299,011
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 1,267,267,597	P 968,328,967

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

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.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Company presents all items of income and expenses in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amendments to PFRS

(a) Effective in 2013 that are relevant to the Company

In 2013, the Company adopted for the first time the following new PFRS, revisions, amendments and improvements thereto that are relevant to the Company and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associate and Joint Venture
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 10	:	Consolidated Financial Statements
PFRS 11	:	Joint Arrangements
PFRS 12	:	Disclosure of Interests in Other Entities
PFRS 10, 11 and 12 (Amendments)	:	Amendments to PFRS 10, 11 and 12 – Transition Guidance to PFRS 10, 11 and 12
PFRS 13	:	Fair Value Measurement
Annual Improvements	:	Annual Improvements to PFRS (2009-2011 Cycle)

Discussed below are the relevant information about these new, revised and amended standards.

(i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (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 PFRS: (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 amendment has been applied retrospectively, hence, the presentation of other comprehensive income has been modified to reflect the changes. Prior period comparatives have been restated as a consequence of this change in presentation.

(ii) PAS 19 (Revised 2011), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plans as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

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

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial arrangement by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The option of using proportionate consolidation for arrangement classified as jointly controlled entities under the previous standard has been eliminated. This new standard now requires the use of equity method in accounting for arrangement classified as joint venture.

- PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates,

(vi) 2009-2011 Annual Improvements to PFRS. Annual improvement to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Company:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, related notes to the third statement of financial position are not required to be presented.

Consequent to the Company's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' financial statements, the Company has presented corresponding figures in a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8 and for listed entities.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the Company's financial statements since it has been InstruTj-0.0006 j0 T[illegible] those servicing ement.

(b) Effective in 2013 that are not Relevant to the Company

The following amendments, annual improvements and interpretation to PFRS are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Company's financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
Annual Improvements		
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Cost
Philippine Interpretation International Financial Reporting Interpretation		

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Company does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(v) PFRS 10, 12 and PAS 27 (Amendments) – *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities,"

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables and Refundable security and bond deposits (presented under Other Current Assets) in the statement of financial position. Cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company 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 (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of the financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

2.4 Construction Materials

Construction materials are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of construction materials includes all costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

The net realizable value of construction materials is the current replacement cost.

2.5 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period, are classified as non-current assets.

2.6 Investment in an Associate

Associate is an entity over which the Company is able to exert significant influence but which is neither subsidiary nor interest in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associate. Goodwill is the excess of the acquisition cost over the fair value of the Company's share of the identifiable net assets of the investee at the date of acquisition.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in Net Earning (Loss) of an Associate account in profit or loss.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

2.7 Acquisition of Asset

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchased accounting, the purchase costs is allocated to identifiable assets and liabilities based on relative fair values of individual items, goodwill or gain on bargain purchase is not recognized and transaction costs are capitalized.

2.8 Property, Plant and Equipment

Property, plant 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 inten

An intangible asset is derecognized upon 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.

2.10 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings and trade and other payables [except output value-added tax (VAT) and other taxes payable] are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss as part of Finance Costs in the statement of comprehensive income.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.12

2.13 Construction Revenues 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 costs 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 revenues, the expected loss is recognized as an expense immediately.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of profit or loss from operations.

2.17 Impairment of Non-financial Assets

The Company's investment in an associate, property, plant and equipment, intangible assets and other non-financial 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 amount 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.

2.18 Employee Benefits

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-employme

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment.

2.19 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.20 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in

2.23

Management has assessed that no allowance for obsolescence is required to be recognized on construction materials.

(d) *Estimating Useful Lives of Intangible Assets and Property, Plant and Equipment*

The Company estimates the useful lives of intangible assets and property, plant and equipment based on the period over which the assets are expected to be available for use. The related estimated useful lives 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 is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

Based on management's assessment, there is no change in estimated useful lives of these assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Determining Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized a will be fully utilized in the coming years.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Company's non-financial assets.

(g) Valuation of Post-employment Defined Benefit

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows as March 31, 2014 and December 31, 2013:

	2014	2013
Cash on hand	**P 4,795,035**	P 4,576,812
Cash on banks	**562,472,562**	1,571,456,962
Short-term placements	**700,000,000**	700,000,000
	P 1,267,267,597	P 2,276,033,774

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 1.50%. Interest income earned from these financial assets is presented as part of Finance Income in the statements of comprehensive income.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following as of March 31, 2014 and December 31, 2013:

	2014	2013
Contract receivables:		
Related parties	**P 1,022,592,263**	P 1,747,051,309
Third parties	**707,435,865**	856,101,408
	1,730,028,128	**2,603,152,717**
Retention receivables:		
Related parties	**2o532(ETqa257TT3**	**1 Tf0.0005**

	2014	2013
Costs in excess of billings on uncompleted contracts (shown under current assets)	**P 2,424,759,610**	P 2,244,616,767
Billings in excess of costs on uncompleted contracts (shown under current liabilities)	**(1,862,734,602)**	(2,317,861,428)
	P 562,025,008	(P 73,244,661)

9. OTHER ASSETS

This account is composed of the following as of March 31, 2014 and December 31, 2013:

	2014	2013
Current:		
Advances to suppliers	**P1,712,476,677**	P 1,664,758,903
Prepaid taxes	**118,575,198**	104,129,190
Input value-added tax (VAT)	**208,290,111**	83,161,052
Refundable security and bond deposits	**57,262,114**	53,713,405
Prepaid insurance	**32,629,633**	29,325,689
Prepaid rent	**24,068,835**	19,736,576
Advances to affiliate	**18,192,825**	-
	2,171,495,393	1,954,824,815
Non-current:		
Deferred input VAT	**141,156,579**	130,973,713
Deposit for condominium units	**36,065,085**	36,326,178
Intangible assets - net	**25,631,505**	25,044,630
	202,853,169	192,344,521
	P2,374,348,562	P 2,147,169,336

9.1. Advances to Suppliers

Advances to suppliers pertain to down payments made by the Company to the suppliers based on a certain percentage of the contract price. The initial payment will eventually be

9.3. Deposit for Condominium Units

Deposit for condominium units represents initial down payments made for the purchase of condominium units.

9.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year.

9.5 Intangible Assets

Intangible assets represent the cost of computer license software.

10. ACQUISITION OF ASSETS AND INVESTMENT IN AN ASSOCIATE

10.1 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Company acquired 100% ownership interest in Altria East Land, Inc. (Altria). Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of the date of acquisition, Altria has no operations and its assets mainly pertain to the land where the Company's precast and batching facilities are constructed. In accordance with Company's policy the transaction is treated by the Company as an asset acquisition since the transaction does not constitute a business combination.

The purchase price was allocated among the following accounts based on their relative fair values:

Cash in bank	P 486,426
Bond deposits	1,500,958
Land	303,468,569
Accrued expenses	(100,000

	2014	2013
Current:		
Bank loans	**P 1,883,699,800**	P**2,256,199,800**
Obligations under finance lease	**183,210,460**	**176,243,952**
	2,066,910,260	**2,432,443,752**

13. ADVANCES FROM CUSTOMERS

Advances from customers relates to the following projects as of March 31, 2014 and December 31, 2013:

	2014	2013
Contracts in progress:		
Third parties	**P 899,960,481**	P 911,288,131
Deposit received prior to commencement of a project	**-**	76,554,189
	P 899,960,481	P 987,842,320

Advances from customers will be applied against the contract receivables based on work accomplishment on the project.

14. OTHER LIABILITIES

The details of this account are as follows:

	2014	2013
Current:		
Unearned income	**P 21,232,403**	P 21,232,403
Withholding taxes	**24,585,796**	27,066,256
Others	**5,021,453**	4,314,692
	50,839,652	52,613,351
Non-current – Unearned income	**3,568,512**	3,450,440
	P 54,408,164	P 56,063,792

Others include social security and home development mutual fund liabilities for remittance to the related government agencies.

15. CONTRACT REVENUES

The details of this account are composed of the revenues from:

	2014	2013

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Contracts in progress and the balances of the related accounts are as follows:

	2014	2013
Total contract cost incurred and recognized profit (less recognized losses) to date	**P 25,775,101,089**	P **22,536,185,597**
Contract receivables	**1,730,028,127**	**2,603,152,717**
Retention receivables	**1,749,447,374**	**1,469,681,507**

16. OTHER OPERATING EXPENSES BY NATURE

The details of other operating expenses by nature are shown below.

	2014	2013
Outside services	**P 4,700,504**	P 9,177,925
Materials, supplies and facilities	**1,746,249**	4,046,008
Salaries and employee benefits	**39,572,449**	23,392,078
Depreciation		

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4,046,008
(fe,5043(2.63 7TJ0.0002 Tc 1/P D 22JEM184) 8,
( )

(a) Income Tax Holiday (ITH) for a period of four years from June 1, 2011;

(b) Importation of consigned equipment for a period of 10 years from June 1, 2011 subject to posting of re-export bond;

(c) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from June 1, 2011; and,

(d) Exemption from wharfage dues and any export tax, duty, impost and fee on exports of its registered export products for a ped)

In a regular meeting held on June 26, 2012, the BOD approved the declaration of cash dividends amounting to P150.0 million (P0.13 per share) payable to stockholders of record as of July 20, 2012. The cash dividends were paid within 2012 except for P5.2 million which is presented as part of the Trade and Other Payables account in the 2012 statement of financial position.

In relation to the increase in the Company's authorized capital stock in 2011, the Company declared stock dividends of 257.1 million common shares, at P1.0 par value per share, to stockholders of record as of October 14, 2011. The stock dividends, which were approved by the SEC also on September 27, 2011, were distributed on November 10, 2011.

18.3 Retained Earnings

As of March 31, 2014 and December 31, 2013, the Company's retained earnings exceeded its capital stock. Relative to this, on April 8, 2013, the BOD approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently.

19. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

19.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under operating leases covering its office space, and its stockyards and certain construction equipment with terms ranging from one year to two years. The related refundable security deposits are presented as part of Other Current Assets in the statements of financial position..

19.2 Finance Lease Commitments – Company as Lessee

The Company has finance leases covering certain transportation and construction equipment with terms ranging from two to five years. The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings.

19.3 Legal Claims

In 2014, certain legal claim was filed against the Company. There is no related provision recognized in the financial statements as management believe that the Company has strong legal position related to such case.

19.4 Capital Commitments

The Company has capital commitments for the unutilized balance of its IPO proceeds amounting to P239.9 million until December 31, 2012 for the construction and site development of its precast concrete manufacturing plant, acquisition of new equipment and new formworks. As of September 30, 2013, the balance of IPO proceeds have been fully utilized.