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Report of Independent Auditors

The Board of Directors and Stockholders
Regencia Construction Corporation and Subsidiaries
(a Subsidiary of Citicorps Holdings Investment, Inc.)
2nd Floor Spring Building
Amal Avenue Corner P. Burgos St.
Pasig City

Report of the Independent Auditors on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated statements of integrated financial position and performance and Subsidiaries (i.e., consolidated statements of integrated financial position and performance) as of December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the periods ended on or about December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and their operations, performance and cash flows for the periods ended on or about December 31, 2017 and 2016, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are also required to comply with the Code of Ethics for Professional Accountants of the Group in accordance with the Code of Ethics for Professional Accountants of the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the Consolidated Financial Statements as prescribed by the Institute of Certified Public Accountants of the Philippines in accordance with those requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(A) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Ingeparks Construction Corporation and its subsidiaries as presented in Note 1 to the consolidated financial statements. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves identification and elimination of intercompany transactions to properly reflect realisation of profits.

The Group's consolidated financial statements are prepared in accordance with IFRS as issued in May 2019.

Consolidated financial statements

How the matter was addressed in the Audit

Among other, our audit procedures to address the risk of material misstatement of consolidated financial statements are as follows:

- Obtaining an understanding of the Group structure and consolidation process, including the procedures for identifying intercompany transactions and reconciling intercompany balances, and;
- testing significant consolidation adjustments, which include elimination of intercompany balances, revenue, expenses and investments and recognition of equity transactions, or identifying such intercompany transactions and balances among various entities within the Group.

(B) Revenue and Cost Recognition of Construction Contracts

Description of the Matter

The Group's revenue from construction contracts represents 87% of its total revenue. The Group uses the percentage of completion method to determine the appropriate amount of revenue to recognize as contract revenue and costs in a given period. In our view, the revenue recognition of construction contracts is significant to our audit as it involves significant management judgment and estimates on the stage of completion of each construction contract.

The Group's disclosures on revenue recognition of construction contracts, estimation uncertainty, contract revenue and contract costs are included in Notes 3, 3, 18 and 20 to the consolidated financial statements, respectively.



How the Matters were Addressed in the Audit

Our audit procedures to address the risk of material misstatements relating to revenue recognition included the following:

- a. Evaluating our understanding of the Company's internal revenue and costs processes, and controls over the recognition and measurement of both sales revenues and costs;
- b. Testing key controls (including, among others, those over contract data processes that significantly impact the flow of revenues) - including assessing and agreeing the order cutting and recording of invoices, invoicing, direct and indirect costs, and recording of payments;
- c. Examining construction contracts, on a sample basis, to the extent relevant to contract value, construction terms, terms and other contractual and supplementary;
- d. Testing the accuracy of contracts completed and closing judgments at the end of the reporting period such as cut-off trials by verifying the mathematical accuracy of the estimates, agreeing beginning balances, and reconciling billing balances using the contract costs for the current period and agreeing contract costs, on a sample basis, to construction contracts;
- e. Determining the stage of completion as determined by third party Attestors engaged by the Group and its customers against the stage of completion used by the Group;
- f. Performing supervision site visits of completed and ongoing projects, on a sample basis, during the current period and assessing whether the methodology by which management determines the stage of completion in construction contracts is appropriate and consistent with industry practice;
- g. Testing modifications to the contract costed through administration, on a sample basis, of contract terms, work authorization, scope and application cost;
- h. Performing analytical review procedures on contract revenues and costs, which include estimating and reconciling with the management during the current period, stage of completion, and final financial report made based on its responsibilities, and following up instances that are exceptional;
- i. Performing detailed sample of analysis of logs and actual construction costs incurred by using detailed list of transactions throughout the current period to source data to verify the accuracy of reported amounts, and testing the appropriateness of the through cut-off procedure or contract revenue and cost;
- j. Evaluating the sufficiency and relevance of disclosures in the Group's consolidated financial statements in accordance with IFRS.

As noted on page 7

(c) **Responsibility of Paid Tax Recipients**

Description of the Matter

The Group has not been notified as to, since the one year term contract policy, which represents 9% of the Group's total contract and collection receivables ending their contract, expires as of December 31, 2017. The Group analyzed these accounts based on available facts and circumstances affecting the group/program. At our view, the matter is significant to our audit and we have included the following in our report.

The Group discloses its estimated accounts, Trade and Other Receivables account, and capital are included in notes 5, 6 and 20 to the consolidated financial statements respectively.

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

- Obtaining our understanding of the Group's assets and liabilities policy;
- Reviewing minutes of meetings of the Board of Directors to evaluate the Group's actions plan and its policy practice to collect these receivables, including approaching to related former demand letters and legal recourse;
- Performing detailed analysis of the Group's aging of receivables including, among others, testing the accuracy of the aging include on a sample basis, and assessing subsequent collection or expense related items;
- Evaluating the Group's responsibility for identifying credit risk and generating items such items, including the delayed payment, failure to generate payment, and its relation apply with the Group;
- Performing analytical review procedures including, among others, historical turnover and other ratios, prior period analysis on statements for impairment and consistency with the observations during the current period based on our observations and throwing up relevant relevant observations; and
- Including the sufficient and relevance of disclosures in the Group's consolidated financial statements in accordance with IFRS.

Other Information

Management is responsible for the other information. The other information comprises the disclosures included in the Group's financial and Non-Financial Statements (NFS) Form 20-20 (Definitive Information Form 20), SEC Form 20-A, and reports to be filed for the year ended December 31, 2017, and does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-20 SEC Form 20-A and Annual Report for the year ended December 31, 2017 are available to be made available to us after the date of this audit report.

Our review of the company's financial statements does not provide other information and we do not express any form of assurance on other information.

It is important to understand that the consolidated financial statements are prepared on the same basis as the individual financial statements when it becomes available and, in doing so, management ensures that the information is consistently comparable with the consolidated financial statements of the immediately preceding financial year, or otherwise appears to be consistently consistent.

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

Management is responsible for the preparation and for presentation of the consolidated financial statements in accordance with IFRS, and for any related output as management determine it is necessary to provide the presentation of comprehensive financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the risks of material misstatement, whether due to fraud or error, and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for error because fraud may involve collusion, forgery, intentional omissions, misstatements, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our conclusions in our audit report in the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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