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SEC Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

DAVID M. DELA CRUZ

(Contact Person)

681-7332

(Company Telephone Number)

1	2	3	1
<i>Month</i>		<i>Day</i>	
(Fiscal Year)			

1	7	-	Q	
(Form Type)				

0	6	1	7
<i>Month</i>		<i>Day</i>	
(Annual Meeting)			

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document ID

_____ Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number: 031-050

File Number: _____

STA. LUCIA LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

Penthouse Building 3, Sta. Lucia East Grand Mall,
Marcos Highway Cor. Imelda Ave., Cainta Rizal

(Company Address)

(632) 681-7332

(Telephone Number)

September 30, 2016

(Quarter Ended)

2016 3rd Quarter Report – SEC Form 17-Q

(Form Type)

(Amendments)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended September 30, 2016
2. Commission identification number. 31050 3. BIR Tax Identification No. 000-152-291-000

STA. LUCIA LAND, INC. AND SUBSIDIARIES

4. Exact name of issuer as specified in its charter

Republic of the Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

Penthouse, Bldg. III, Sta. Lucia East Grand Mall, Marcos Highway cor. Imelda Ave., Cainta, Rizal 1900

7. Address of issuer's principal office

Postal Code

(02) 681-7332

8. Issuer's telephone number, including area code

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class

Common and Treasury

Number of shares of common
Stock outstanding

8,546,450,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or 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 the registrant was required to file such reports)

Yes No

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

Yes No

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PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the Nine Months ended September 30, 2016 and December 31, 2015

	September 30	December 31
	2016 (Unaudited)	2015(Audited)
ASSETS		
Current Assets		
Cash	P 594,992,885	P2,215,001,603
Receivables	2,703,524,461	2,251,406,179
Real estate inventories	10,111,085,491	8,855,519,517
Other current assets	3,294,283,045	1,481,407,147
Total Current Assets	16,703,885,882	14,803,334,446
Noncurrent Assets		
Noncurrent installment contracts receivables	934,329,138	798,468,774
Available for sale financial assets	844,083,854	722,683,658
Investment properties	5,165,709,617	4,983,804,483
Property and equipment	60,589,643	43,158,393
Other noncurrent assets	25,358,187	19,335,851
Total Noncurrent Assets	7,030,070,439	6,567,451,159
	P23,733,956,321	P21,370,785,605
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	P2,984,071,063	P1,776,069,038
Short term debt	898,000,000	700,000,000
Customers' deposits	898,367,350	656,774,906
Income tax payable	10,874,484	32,803,900
Total Current Liabilities	4,791,312,897	3,165,647,844
Noncurrent Liabilities		
Long-term debt	4,909,759,683	4,909,759,684
Pension liabilities	1,977,813	1,977,813
Deferred tax liabilities – net	760,701,659	593,693,864
Total Noncurrent Liabilities	5,672,439,155	5,505,431,361
Total Liabilities	10,463,752,052	8,671,079,205
Equity		
Capital stock	10,796,450,000	10,796,450,000
Additional paid-in capital	330,004,284	330,004,284
Retained earnings	2,448,017,593	1,913,919,919
Treasury Shares	(740,000,000)	(740,000,000)
Unrealized gain on fair value of AFS	435,708,885	399,308,690
Remeasurement losses on pension liabilities	23,507	23,507
Total Equity	13,270,204,269	12,699,706,400
	P23,733,956,321	P21,370,785,605

STA. LUCIA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the Nine Months ended September 30, 2016 and September 30, 2015 and December 31, 2015

	September 2016	September 2015	December 2015
REVENUE			
Real estate sales	₱1,319,132,090	₱1,299,242,270	₱1,680,680,817
Rental income	734,233,407	713,544,073	984,445,801
Interest income	65,319,875	81,341,834	125,433,255
Commission Income	107,553,738	61,498,550	99,165,403
Construction Income	–	–	9,404,488
Dividend income	5,662,941	7,161,256	7,157,683
Others	142,427,130	90,110,289	198,071,752
	2,374,329,181	2,252,898,272	3,104,359,199
COSTS AND EXPENSES			
Cost of real estate	538,241,511	628,268,155	799,986,609
Cost of rental income	394,352,734	443,406,616	594,663,528
Cost of construction	–	–	5,980,313
Interest expense	229,176,738	103,981,343	134,186,314
Depreciation and amortization	13,267,273	8,061,789	11,735,945
Commissions	161,516,359	153,025,475	302,729,338
Advertising	37,193,096	43,172,069	51,016,772
Taxes, licenses and fees	71,058,409	37,976,363	56,194,305
Salaries and wages	36,167,348	31,951,246	55,468,201
Professional fees	56,243,704	19,714,949	33,150,591
Representation	8,255,440	15,185,286	22,599,775
Utilities	8,012,287	11,470,455	13,884,181
Repairs and maintenance	2,963,133	2,514,851	4,347,920
Provision for doubtful account	437,836	–	3,658,747
Miscellaneous	57,543,013	22,145,681	41,308,319
	1,614,428,881	1,520,874,278	2,130,910,858
INCOME BEFORE INCOME TAX	759,900,300	732,023,994	973,448,341
PROVISION FOR INCOME TAX	225,802,626	217,827,844	297,288,115
NET INCOME	534,097,674	514,196,150	676,160,226
OTHER COMPREHENSIVE INCOME			
Unrealized gain or (loss) for fair value of AFS	36,400,195	(56,034,940)	(7,249,427)
Remeasurement losses on pension liabilities	–	(178,571)	560,955
TOTAL COMPREHENSIVE INCOME	₱570,497,869	₱457,982,639	₱669,471,754
Basic/Diluted Earnings Per Share	₱0.060	₱0.060	₱0.079

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended September 30, 2016 and September 30, 2015

	July-September 2016(Unaudited)	July-September 2015(Unaudited)
REVENUE		
Real estate sales	P182,037,233	P295,523,066
Rental income	245,219,168	284,366,356
Interest income	25,380,454	41,907,841
Commission Income	15,478,646	-
Dividend income	-	7,161,256
Others	62,066,828	28,047,931
	530,182,329	657,006,450
COSTS AND EXPENSES		
Cost of real estate and rental income	215,360,006	408,437,299
Interest expense	69,243,883	68,882,050
Depreciation and amortization	6,869,687	3,553,212
Commissions	12,214,904	44,418,588
Advertising	11,844,800	7,081,712
Taxes, licenses and fees	19,820,763	8,560,235
Salaries and wages	14,265,473	8,834,540
Professional fees	16,931,615	(15,151,046)
Representation	2,451,019	5,369,167
Utilities	1,500,100	4,225,271
Repairs and maintenance	1,668,612	989,893
Provision for Doubtful Accounts	272,904	-
Miscellaneous	8,192,356	4,607,183
	380,636,122	549,808,104
INCOME BEFORE INCOME TAX	149,546,207	107,198,346
PROVISION FOR INCOME TAX	44,861,126	44,730,106
NET INCOME	104,685,081	62,468,240
OTHER COMPREHENSIVE INCOME	(7,566,602)	11,641,937
TOTAL COMPREHENSIVE INCOME	P97,118,479	P74,110,177

STA. LUCIA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the nine months ended September 30, 2016 and September 30, 2015

	September 30	September 30
	2016(Unaudited)	2015(Unaudited)
CAPITAL STOCK		
Common shares - ₱1 par value		
Authorized - 16,000,000,000 shares		
Issued and outstanding – 10,796,450,000 shares	₱10,796,450,000	₱10,796,450,000
	10,796,450,000	10,796,450,000
ADDITIONAL PAID-IN CAPITAL	330,004,284	192,053,636
TREASURY SHARES	(740,000,000)	(900,000,000)
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	1,913,919,919	1,237,759,693
Net income	534,097,674	514,196,150
Balance at end of year	2,448,017,593	1,751,955,843
UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL ASSETS	435,708,885	350,523,177
REMEASUREMENT LOSSES ON PENSION LIABILITIES- NET OF TAX	23,507	(716,019)
	₱13,270,204,269	₱12,190,266,637

STA. LUCIA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended September 30, 2016 and September 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱759,900,300	₱732,023,994
Adjustments for:		
Depreciation and amortization expense	114,995,478	121,141,984
Interest expense	229,176,738	103,981,343
Retirement expense	–	466,848
Dividend income	(5,662,941)	(7,161,256)
Interest income	(65,319,875)	(81,341,834)
Operating income before changes in working capital	1,033,089,700	869,111,079
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(582,315,706)	(217,726,766)
Real estate inventories	(1,255,565,974)	(714,213,442)
Other current assets	(1,733,369,959)	(256,406,279)
Increase (decrease) in:		
Accounts and other payables	1,092,023,771	474,057,400
Customers' deposits	143,907,511	(146,400,105)
Net cash generated from (used in) operations	(1,302,230,657)	8,421,887
Interest paid	(229,176,738)	(129,706,078)
Income taxes paid	(58,101,547)	60,373,651
Interest received	65,319,875	(72,699,114)
Net cash used in operating activities	(1,524,189,067)	(133,609,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals of (additions to):		
Investment properties	(283,633,338)	(169,283,101)
Property and equipment	(4,163,977)	(11,237,664)
Other noncurrent asset	(6,022,336)	(208,639)
Dividends received	–	7,161,256
Net cash used in investing activities	(293,819,651)	(173,568,148)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	698,000,000	767,900,000
Payment of loans	(500,000,000)	(514,177,628)
Increase (decrease) in payable to related parties	–	26,542,515
Net cash provided by financing activities	198,000,000	280,264,887
NET INCREASE (DECREASE) IN CASH	(1,620,008,718)	(26,912,915)
CASH AT BEGINNING OF YEAR	2,215,001,603	116,071,782
CASH AT END OF YEAR	₱594,992,885	₱89,158,867

STA. LUCIA LAND, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Sta. Lucia Land, Inc. (the Parent Company) is a publicly-listed company incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1966 under the name Zipporah Mining and Industrial Corporation to engage in mining. On August 14, 1996, the Parent Company's Articles of Incorporation was amended to effect the following: (a) changing the corporate name to Zipporah Realty Holdings, Inc., and (b) transferring the original primary purpose to secondary purpose from being a mining firm to a real estate company, the primary purpose of which is to acquire by purchase, lease, donation, and to own, use, improve, develop and hold for investment, real estate of all kinds, improve, manage or dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances. On July 16, 2007, the Parent Company changed its corporate name from Zipporah Realty Holdings, Inc. to Sta. Lucia Land, Inc.

The registered office address and principal place of business of the Parent Company and its subsidiaries (collectively referred to as the Group) is at Penthouse Bldg. 3, Sta. Lucia East Grand Mall, Marcos Highway corner Imelda Avenue, Cainta, Rizal.

The Group is 83.28% owned by Sta. Lucia Realty and Development Inc. (SLRDI or the Ultimate Parent Company).

The end of the corporate life of the Parent Company is on December 5, 2016. The Parent Company plans to renew its 50-year corporate life before the said date.

On July 8, 2014, the Parent Company and the Ultimate Parent Company executed a deed of assignment of shares of stock wherein the parties agreed as follows:

1. The previous assignment by the Ultimate Parent Company of Saddle and Clubs Leisure Park is rescinded.
2. The Ultimate Parent Company transfers 3,000 million shares of the Parent Company in favor of the latter as full payment for the ₱1,801.11 million advances to the former.

In 2014, 2,250 million shares covering ₱900.00 million of advances were issued back by SLRDI to the Parent Company and formed part of the Parent Company's treasury shares. This decreased the outstanding shares of the Parent Company from 10,796.45 million in 2013 to 8,546.45 million in 2014.

On September 30, 2014, the lease agreement on Sta. Lucia East Grand Mall (Mall) between the Parent Company and Sta. Lucia East Commercial Corporation (SLECC), an affiliate, was terminated by both parties. Effective October 1, 2014, the existing lease agreements over the Mall spaces were directly between the Parent Company and the tenants. Prior to September 30, 2014, the Parent Company charges rental fee to SLECC, an amount equivalent to 90% of SLECC's net income excluding real property tax. SLECC charges management fee of 7% of

the gross rental revenue from mall operations starting October 1, 2014 since SLECC still manages the mall operations, despite the change in lease arrangements.

On December 22, 2015, the Parent Company reissued 400 million treasury shares which increased the outstanding shares to 8,946.45 million in 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency and all values are rounded to nearest Philippine peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership of the Parent Company as at March 31:

	Principal activity	Effective percentage of ownership		
		September 2016	2015	2014
Sta. Lucia Homes, Inc. (SLHI)	Property development and construction	100	100	100
Santalucia Ventures Inc. (SVI)	Marketing and advertising	100	100	100

Subsidiaries are fully consolidated from the date of incorporation, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, it has:

Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
 Exposure, or rights, to variable returns from its involvement with the investee, and
 The ability to use its power over the investee to affect its returns

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances and transactions, including income, expenses and dividends and gains and losses are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2015. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Group.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 - 2012 Cycle
- PFRS 2, *Share-based Payment* - Definition of Vesting Condition
- PFRS 3, *Business Combinations* - Accounting for Contingent Consideration in a Business Combination
- PFRS 8, *Operating Segments* - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization
- PAS 24, *Related Party Disclosures* - Key Management Personnel
- Annual Improvements to PFRSs 2011 - 2013 Cycle
- PFRS 3, *Business Combinations* - Scope Exceptions for Joint Arrangements
- PFRS 13, *Fair Value Measurement* - Portfolio Exception
- PAS 40, *Investment Property*

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS and PAS which are not yet effective as of December 31, 2015. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments) *Effective January 1, 2016*
- PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)
- PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests (Amendments)
- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)
- PAS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* - Bearer Plants
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* - Clarification of

Acceptable Methods of Depreciation and Amortization (Amendments)

- Annual Improvements to PFRSs (2012-2014 cycle)
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - Changes in Methods of Disposal
- PFRS 7, *Financial Instruments: Disclosures* - Servicing Contracts
- PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
- PAS 19, *Employee Benefits* - regional market issue regarding discount rate
- PAS 34, *Interim Financial Reporting* - disclosure of information 'elsewhere in the interim financial report'

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

In July 2014, the International Accounting Standards Board (IASB) issued the final version of International Financial Reporting Standards (IFRS) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard. In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principals in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Group is engaged in selling activities of real estate projects while construction is in progress or even before it has started. The standard is expected to impact the revenue recognition on these precompleted real estate sales whether revenue will be recognized at a point-in-time or over time. If there will be a change in revenue recognition, this will also impact the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings account. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases* (effective January 1, 2019)

On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces PAS 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the

assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Cash

Cash includes cash on hand and in banks and cash equivalents. Cash in bank earns interest at the prevailing bank deposit rate. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placement and are subject to insignificant risk of changes in value.

Fair Value Measurement

The Group measures AFS financial assets at fair value at each reporting date. The Group also discloses the fair value of certain loans and receivables and investment properties every reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For assets and liabilities that are recognized in the

consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Assets and Financial Liabilities

Date of recognition

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial assets and financial liabilities

All financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial assets and financial liabilities measured at FVPL. Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, or AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets were acquired or financial liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets and financial liabilities are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

As of September 30, 2016 and December 31, 2015, the financial assets of the Group are of the nature of loans and receivables and AFS financial assets while the financial liabilities pertain to other financial liabilities.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized

cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in “Interest income” in the consolidated statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of September 30, 2016 and December 31, 2015, loans and receivables of the Group consist of cash, receivables and noncurrent installment contracts receivables.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include equity investments.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Unrealized gain (loss) on fair value of available-for-sale financial assets” in the other comprehensive income section of the consolidated statement of comprehensive income.

Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR. Dividends earned on holding AFS equity investments are recognized in profit or loss as “Dividend income” when the right to receive payment has been established.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date. The Group’s AFS financial assets pertain to quoted equity securities included under “Available for- sale financial assets” account in the consolidated statement of financial position.

Other financial liabilities

Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate.

As of September 30, 2016 and December 31, 2015, the Group’s other financial liabilities consist of accounts and other payables, excluding statutory liabilities, short-term debt and long-term debt.

Debt Issuance Costs

Debt issuance costs represent costs arising from fees incurred to obtain loans. Debt issuance costs are deducted against loans payable and are amortized over the terms of the related borrowings using the EIR method.

Impairment of Financial Assets

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

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, payment history, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets

For AFS financial assets, the Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below their costs. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income - is removed from other comprehensive income and recognized in profit and loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- a. the rights to receive cash flows from the asset have expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- c. the Group has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs of sale.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Other Current Assets

Other current assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. The includes prepayments of construction costs and deferred portion of commissions paid to sales or marketing agents that are yet to be charged to the period the related revenue is recognized.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful lives of investment properties follow:

Years

Land improvements 40

Buildings and improvements 40

Machinery and equipment 10

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment properties, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its

purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Years

Office tools and equipment 3 to 5

Transportation equipment 5

Furniture and fixtures 3 to 5

Software 3

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Interests in Joint Ventures

Interests in joint ventures represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset (e.g., real estate inventories, other current assets, investment properties and property and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Customers' Deposits

Customers' deposits represent payment received from customer accounts which have not yet reached the minimum required percentage for recording real estate sale transaction. When the level of required payment is reached, sales are recognized and these deposits and down payments will be applied against the related receivable.

Under the percentage of completion method of recognizing sales for real estate, when a real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, cash received from customers are recorded under "Customers' deposit" account in the consolidated statement of financial position. It is also recognized when the cash received from customers is greater than the receivable from customers under percentage of completion. Subsequently, customers' deposits are applied against receivable from customers as a result of the recognition of sales through completion of the project.

Pension Liabilities

The Group has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The Group's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Pension costs comprise the following:

- Service cost
- Interest on the pension liability
- Remeasurements of pension liability

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated annually by independent qualified actuaries.

Interest on the pension liability is the change during the period in the pension liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Interest on the pension liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in the

“Remeasurement gains or losses on pension liabilities” are not reclassified to another equity account in subsequent periods.

Equity

The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividend declaration when they are declared by the subsidiaries as approved by their respective BOD.

Treasury Stock

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in the profit and loss on the purchase, sale, issue or cancellation of the Parent Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In arrangements where the Group is acting as the principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The Group has concluded that it is acting as principal in all of its revenue arrangements except for its commission income where the Group is acting as an agent. The following specific criteria must be met before revenue is recognized:

Real estate sales

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer’s commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the “Customers’ deposits” account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Customers’ deposit” account in the consolidated statement of financial position.

Rental income

Rental income arising from operating leases on investment properties is recognized in the consolidated statement of comprehensive income as follows:

- Based on certain percentage of net income of operator after adjustments on shared expenses, as provided in the terms of the contract.
- Based on a straight-line basis over the term of the lease plus a certain percentage of sales of the tenants, as provided under the terms of the contract.

Construction income

Construction income on housing units is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date compared to the estimated total cost of the contract.

Interest income

Interest income is recognized as it accrues using the EIR method.

Commission income

Commission income on promotions and marketing services is recognized when services are rendered.

Dividend income

Revenue is recognized when the Group’s right to receive the payment is established, which is generally when shareholders approve the dividend.

Others

Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments and income earned from development contracts which are recognized as revenue upon collection.

Other income also includes profit share in hotel operations which is derived from its share in rent income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized once share is established.

Cost of real estate

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group’s in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Cost of construction

Cost of construction includes all direct materials, labor costs and incidental costs related to the construction of housing units.

Cost and expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Commission Expense

The Group recognizes commission when services are rendered by the broker. The commission expense is accrued upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Borrowing Costs

Interest and other financing costs incurred during the construction period on borrowings used to finance the acquisition and construction of a qualifying asset are capitalized as to the appropriate asset accounts (included in “Real estate inventories” account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Group as lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income is recognized on a straight-line basis over the lease term in the profit or loss. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Income Taxes

Current tax

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

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

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

Basic and Diluted Earnings Per Share

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Judgments

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

Revenue recognition

Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and the stage of completion of the project. In determining whether the sales price are collectible, the Group considers that initial and continuing investments by the buyer of 20% for real estate for development and sale would demonstrate the buyer's commitment to pay.

Classification of financial instruments

The Group classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position. The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

Impairment of AFS financial assets

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists.

The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of the carrying value before provision for impairment and "prolonged" as greater than six months.

As of September 30, 2016 and December 31, 2015, the Group believes that its AFS financial assets are not impaired.

Distinction between real estate inventories and investment properties

The Group determines whether a property is classified as investment property or real estate inventories as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail

property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

· Real estate inventories comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and property and equipment

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Property and equipment generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Estimates and Assumptions

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

Revenue and cost recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the percentage of completion measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Estimating allowance for impairment losses on receivables

The Group maintains allowance for impairment losses at a level based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR.

Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (e.g., industry, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. See Note 5 for the related balances.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Evaluation of net realizable value and asset impairment

The Group reviews real estate inventories, other current assets, investment properties and property and equipment for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price, except for assets where value in use computation is applied.

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

Estimating useful lives of investment properties and property and equipment

The Group estimates the useful lives of investment properties and 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 at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above.

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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 assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. The Group did not recognize deferred tax assets. The unrecognized deferred tax asset primarily comes from NOLCO which is not expected to be utilized by the subsidiaries as management assessed that there is no available taxable income against which the deferred income tax asset can be utilized..

Estimating pension costs

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of

the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Assumed discount rate is used in the measurement of the present value obligation, service and interest cost components of the pension expense. The mortality rate represents the proportion of current plan members who might demise prior to retirement.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

4. Aging of Receivables

As of September 30, 2016
(Unaudited)

	Neither Past		Past Due but not Impaired					Total	Impaired	Total
	Due nor	Impaired	1-30 days	31-60 days	61-90 days	91-120 days	>120 days			
Trade	₱2,303,939,712	₱10,647,836	₱8,917,037	₱8,543,613	₱9,075,134	₱37,789,502	₱74,973,122	₱(8,980,596)	₱2,247,318,745	
Nontrade	1,267,921,361	-	-	-	-	-	-	-	1,267,921,361	
Total	₱3,571,861,073	₱10,647,836	₱8,917,037	₱8,543,613	₱9,075,134	₱37,789,502	₱74,973,122	₱(8,980,596)	₱3,637,853,599	

As of September 30, 2015
(Unaudited)

	Neither Past		Past Due but not Impaired					Total	Impaired	Total
	Due nor	Impaired	1-30 days	31-60 days	61-90 days	91-120 days	>120 days			
Trade	₱1,963,939,072	₱3,690,217	₱4,021,918	₱3,955,930	₱3,942,235	₱50,997,413	₱66,607,713	₱-	₱2,030,546,785	
Nontrade	804,873,388	-	-	-	-	-	-	-	804,873,388	
Total	₱2,768,812,460	₱3,690,217	₱4,021,918	₱3,955,930	₱3,942,235	₱50,997,413	₱66,607,713	₱-	₱2,835,420,173	

5. Segment Information

The following tables regarding business segments present assets and liabilities as of September 30, 2016 and September 30, 2015 and revenue and income information for each of the two periods September 30, 2016 and September 30, 2015.

As of September 30, 2016 (Unaudited)

	Leasing	Residential Development	Total
Rental income	₱734,233,407	₱–	₱734,233,407
Depreciation	–	(13,267,273)	(13,267,273)
Cost of rental income	(394,352,734)	–	(394,352,734)
Real estate sales	–	1,426,685,829	1,426,685,829
Cost of real estate sales	–	(538,241,511)	(538,241,511)
Segment profit	339,880,673	875,177,045	1,215,057,718
General and administrative expense	(8,206,650)	(373,640,962)	(381,847,612)
Interest income	–	65,319,875	65,319,875
Interest expense	–	(229,176,738)	(229,176,738)
Other income	–	148,090,071	148,090,071
Other expense	–	(57,543,013)	(57,543,013)
Provision for income tax	(95,522,025)	(130,280,602)	(225,802,627)
Net income	₱236,151,998	₱297,945,676	₱534,097,674
Segment assets	₱5,165,709,617	₱18,568,246,704	₱23,733,956,321
Deposit on land purchase	–	–	–
Total segment assets	₱5,165,709,617	₱18,568,246,704	₱23,733,956,321
Segment liabilities	₱–	₱6,708,104,846	₱6,708,104,846
Accounts and other payables	–	2,984,071,063	2,984,071,063
Income tax payable	4,600,269	6,274,215	10,874,484
Deferred tax liability	271,345,990	489,355,669	760,701,659
Total liabilities	₱275,946,259	₱10,187,805,795	₱10,463,752,052

As of September 30, 2015 (Unaudited)

	Leasing	Residential Development	Total
Rental income	₱713,544,073	₱–	₱713,544,073
Cost of rental income	(443,406,616)	–	(443,406,616)
Real estate sales	–	1,299,242,270	1,299,242,270
Interest income	–	81,341,834	81,341,834
Commission income	–	61,498,550	61,498,550
Other income	–	90,110,289	90,110,289
Cost of real estate sales	–	(628,268,155)	(628,268,155)
Segment profit	270,137,457	903,924,788	1,174,062,245
Selling and administrative expense	(74,800,523)	(270,417,641)	(345,218,164)
Interest expense	–	(103,981,343)	(103,981,343)
Dividend income	–	7,161,256	7,161,256
Provision for income tax	(67,439,535)	(150,388,309)	(217,827,844)
Net income	₱127,897,399	₱386,298,751	₱514,196,150
Segment assets	₱4,817,620,392	₱14,161,255,741	₱18,978,876,133
Segment liabilities			
Accounts and other payables	₱143,732,654	₱6,055,163,845	₱6,198,896,499
Income tax payable	–	15,162,342	15,162,342
Deferred tax liability	366,567,894	207,982,761	574,550,655
Total liabilities	₱510,300,548	₱6,278,308,948	₱6,788,609,496

6. Basic/Diluted Earnings per Share

The basic/diluted earnings per share amounts for the years ended September 30, 2016, September 30, 2015 and December 31, 2015 were computed as follows:

	September 2016	September 2015	December 2015
Net income	₱534,097,674	₱514,196,150	₱676,160,226
Weighted average number of shares outstanding	8,946,450,000	8,546,450,000	8,571,716,667
	₱0.060	₱0.060	₱0.079

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of the financial statements.

7. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

Cash, receivable from related parties, accrued interest receivable, dividend receivable, accounts and other payables and loans payable - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Noncurrent receivables - The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity.

AFS financial assets - Fair values are based on quoted prices published in markets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of September 30, 2016, the Company's AFS financial assets amounting to P844.08 million are carried at fair value based on Level 1. There were no transfers between and among levels 1, 2 and 3 in 2016 and 2015.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash, receivables, AFS financial assets and bank loans. The Company has other financial liabilities such as accounts and other payables which arise directly from the conduct of its operations.

Management closely monitors the cash fund and financial transactions of the Group. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to liquidity and credit risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

Liquidity risk

The Group actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As part of the liquidity risk management, the Company currently transacts with local banks for an extension and negotiation of higher undrawn credit lines to meet the suppliers' and contractors' obligations and business expansion.

Through scenario analysis and contingency planning, the Group also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity.

Cash are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise.

Credit risk

Financial assets comprise of cash on hand and in bank, trade receivable, interest receivable and AFS financial assets. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. The Group's exposure to credit risk from cash on hand and in bank and AFS financial assets arise from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Real estate contracts

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject lot in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Company manages the equity price risk through diversification and placing limits on equity instruments.

Interest rate risk

The Company's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Company's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Company manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve, and degree of variability of cash flows.

ITEM 2: MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULT OF OPERATIONS

RESULTS OF OPERATIONS

COMPARISON: NINE MONTHS ENDED SEPTEMBER 30, 2016 VS. NINE MONTHS ENDED SEPTEMBER 30, 2015

Overview of Operations

Sta. Lucia Land Inc, and Subsidiaries (Group) generated net income of Php534.1 million for the nine months ending September 30, 2016, posting a 4% (Php19.9 million) increase in net income from the same period last year. Total revenues increased by Php121 million which is 5% higher than last year's. The stable growth in overall revenues is contributed by increase in both real estate and rental operations of the Group. Increase in real estate sales was driven by strong performance in SLI's property segment.

Cost of real estate and rental income decreased from Php1,071.7 million to Php932.6 million. Selling and administrative expenses posted an increase of Php232.6 million while taxes posted an increase of Php7.9 million.

Revenue

Posting an increase from Php2,252.9 million of the nine-month period ending September 2015 to Php2,374.33 million of the same period of 2016 on overall revenues, the Group sustained its growth on real estate and mall operations. 33% of the increase amounting to Php40.6 million is contributed by the increase in overall real estate sales and rental segment. Commission income during the nine-month period was generated by the Group's marketing unit Santalucia Ventures, Inc which contributed Php46 million in the overall increase in total revenues.

Total Expenses

The Group's total expenses posted an increase by Php93.6 million from 2015 to 2016. Significant portion of the increase was due to the significant increase in interest expenses paid related to the bonds issued to the public by the end of 2015. Said expense posted an increase of Php125 million as compared to 2015. Other expenses contributing to the increase were professional fees, local taxes, licenses and fees which are directly attributable to the overall sustained growth of the Group. Provision for taxes increased by 4% amounting to Php7.9 million is attributable to the overall increase in the Group's net income.

Comprehensive Income

Total comprehensive income of the Group for the first nine months of 2016 amounted to P570.5 million from P457.98 million of last year's generating an overall increase of Php112.5 million. Other than the increase in total net income of the Group amounting to Php19.9 million, overall market prices of Group's investment portfolio posted a significant increase by the end of September 2016 observing a Php92.4 million increase in comprehensive income as compared to the 2016.

Financial Condition

Assets

Total assets increased for the period ending September 30, 2016 amounting to Php23,734 million, which shows an 11% increase from Php21,371 million of December 31, 2015. The significant increase was due to the booking of installment contracts receivable as the revenues increased. Furthermore, Inventories and Advances to Contractors also increased attributable the expanding operations of the Group.

Liabilities

The Group's total liabilities increased by Php1,792 million, which is 21% higher than the total liabilities as of December 31, 2015. This is due to posted increases in construction payables, indebtedness in the form of bonds, and deferred tax liabilities posted.

Key Performance Indicators

	September 30, 2016	December 31, 2015
Current Ratio	3.49	4.68
Debt to Equity	0.44	0.43
Interest Coverage Ratio	331.58%	725.45%
Return on Asset	2.25 %	3.16%
Return on Equity	4.02%	5.32%

*Notes to Key Performance Indicators:

- (1) Current ratio = total current assets over total current liabilities
- (2) Debt to equity = loans payable over total equity
- (3) Interest coverage ratio = income before income tax over interest expense
- (4) Return on assets = net income over total assets
- (5) Return on equity = net income over total equity

There are no events that will trigger any direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Company and unconsolidated entities were created during the nine month period ending September 30, 2016.

**Material Changes in the Statement of Financial Position (+/- 5%) as of September 30, 2016
versus the Statement of Financial Position as of December 31, 2015**

73% decrease in cash

Due to various capital expenditures on project developments and land acquisitions and payment of loans

20% increase in receivables

Due to increased volume of sales booking under the installment payment terms.

14% increase in real estate inventories

Primarily due to the fast tracked completion of the existing residential projects, development costs for the existing and newly launched projects and purchases of raw land for future development.

122% increase in other current assets

Mainly due to the increase in payments for prepaid commissions, advances to contractors and advances to landowners.

17% increase in noncurrent installment contracts receivables

Corresponds to the additional mix of buyers opting longer payment schemes.

17% increase in available-for-sale financial assets

Due to significant increase in market prices of investment portfolio held by the Group.

40% increase in property and equipment

Due to various purchases of transportation vehicles and office renovations especially related to improvements in investment property related to mall operations.

31% increase in other noncurrent assets

This is due to significant security deposits made for the three quarters of 2016.

68% increase in Accounts and other payables

Mainly due to the increasing development of the Company for horizontal and vertical projects, purchase of raw land and increased indebtedness to contractors.

28% increase in loans payable

Additional loan availments for working capital purposes

37% increase in customer's deposit

Increase in new reservations applications and collections under down payment period due to new projects launched.

67% decrease in income tax payable

Largely due to decrease in taxable income for the period and due to temporary taxable differences.

28% increase in deferred tax liabilities

Due to temporary taxable differences

28% increase in retained earnings

Attributed to the profitable operations, and revenues from real estate business operations.

9% increase in unrealized gain on fair value of available-for-sale financial assets

Due to significant increase in market prices of investment portfolio held by the Group.

Material Changes in the Statement of Comprehensive Income (+/- 5%) for the year ended September 30, 2016 versus the Statement of Comprehensive Income for the year ended September 30, 2015

20% decrease in interest income

Mainly due to the increasing number of buyers with cash basis terms of payment as compared to last year.

75% increase in commission income

Due to strengthened marketing performance of Santalucia Ventures, inc.

21% decrease in dividend income

Due to the decrease in approved dividend for shareholders of PRCI and MJCI, held by the Company

58% increase in other income

Primarily due to the increase in the processing of registration and surcharges and penalties collection.

14% decrease in costs of real estate

Mainly due to the increased volume of sales on low cost projects as compared to high cost projects..

11% decrease in costs of rental income

Due to decreased costs of mall operations as compared to 2015's operations.

65% increase in depreciation and amortization

Due to increased volume of PPE and improvements related to mall operations.

6% increase in commissions

Due to increased volume of sales recognized.

120% increase in interest expense

Due to the public bond offering made on the last quarter of 2015.

87% increase in taxes, licenses and fees

Mainly due to operational activities of the Group and increased volume of processing and tax expenses due to increased volume of cash sales.

13% increase in salaries and wages

Due to the increasing number of employees of the Company to support the growing operations of the Company.

14% decrease in advertising

Mainly due to decreased volume of advertising and promotions made by the Group in 2016 as compared to 2015.

185% increase in professional fees

Primarily due to additional professional services rendered to the Company for legal, sales activities.

46% decrease in representation

Primarily due to decrease in representation related expenses paid by the Group .

30% decrease in utilities

Decrease in utilities consumed as various projects are nearing its completion.

18% increase in repairs and maintenance

Various payments made to restore administrative equipments, furniture and post-development related expenses.

160% increase in miscellaneous

Mainly due to the increase in other immaterial expenses other than those detailed in the income statement.

COMPARISON: NINE MONTHS ENDED SEPTEMBER 30, 2015 VS. NINE MONTHS ENDED SEPTEMBER 30, 2014Overview of Operations

SLI generated net income of Php514.2 million for the nine months ending September 30, 2015, 51% higher than the Php339.8 million reported in the same period in 2014. Consolidated revenues posted at Php2,252.9 million compared to Php1,524.4 million of the same period last year, 48% higher year on year. Bulk of the revenues was recognized under real estate sales with an increase of Php295.5 million from that of last year followed by the 172% increase in rental income from Php262.7 million to Php713.5 million which was due to the change in internal operations. Increase in real estate sales was driven by strong performance in SLI's property segment.

Cost and expenses increased to Php1,071.7 million from Php604.0 million this year. Selling and administrative expenses to total revenues declined to 20% during the period. Income before income tax generated Php732 million, a 40% increase from the same period last year.

Revenue

Revenue from real estate sales reached Php1,299.2 million during the period in 2015, 29% higher than the same period in the year prior. This is driven by strong bookings and project completion across all real estate segment of the Company. Revenue from rental income posted a Php450.8 million increase due to change in internal operations. A management services agreement was executed on lieu of the Lease contract which lets SLI books the gross revenue starting October 2014. The increase reflects the nine month period in 2015 with this agreement in effect. Commission income during the year was generated by the Group's marketing unit Santalucia Ventures, Inc.

Also, a 35% decrease in other income, equivalent to Php49.5 million, was primarily due to the management income booked by the Company from a sale of property of its parent, SLRDI during the same period last year.

Total Expenses

Total expenses for the period amounted to Php1,520.9 million, 52% higher than the Php1,001.1 million posted during the same period last year. Cost of real estate accounted for the Php105.3 million increase together with the cost of rental income at Php362.3 million. During the period, a 13% increase in selling and administrative expenses was recognized primarily due to increased professional fees, representation and utilities during the period.

Net Income

The Company's net income increased by 51% from Php339.8 million during the nine months ended September 30, 2014 to Php514.2 million during the same period in 2015. This increase was due to the sales take up in real estate sales and rental income.

Project and Capital Expenditures

The Company spent Php1,506.8 million for project and capital expenditures during the year 2015, which is 8% higher than that spent in 2014. Php1,361.5 million of this amount is accounted for by the development of the Company's residential and commercial projects while the remaining was utilized for landbanking purposes. For 2016, the Company earmarked more than Php2,000 Million for its project and capital expenditures, largely for the development of its ongoing projects and launching of new projects.

Financial Condition

Assets

Total Assets during the nine month period ended September 30, 2015 amounted to Php18.98 billion, 6% higher than the Php17.84 billion during the same period last year. The significant increase was due to the booking of installment contracts receivable from the sales take up made during the period.

Liabilities

The Company's availment of loans and increase in accounts and other payables during the period were the primary drivers for the Php682.5 million increase in total liabilities. The continued construction of projects and acquisitions of various lands for future expansions required a significant increase in its accounts and other payables, including those related to construction contracts, supplies of materials, retentions, loans, taxes, land acquisitions and promotions, by 27% to the amount of Php2,146.0 million for the period.

Equity

Total equity increased by 4% or Php458.0 million during the period. This is due the increase in retained earnings.

Key Performance Indicators

	30-Sep-15	30-Sep-14
Current Ratio	2.01	2.08
Debt to Equity	0.28	0.27
Interest Coverage Ratio	704.00%	609.79%
Return on Asset	2.71%	1.90%
Return on Equity	4.22%	2.90%

*Notes to Key Performance Indicators:

- (6) Current ratio = total current assets over total current liabilities
- (7) Debt to equity = loans payable over total equity
- (8) Interest coverage ratio = income before income tax over interest expense
- (9) Return on assets = net income over total assets
- (10) Return on equity = net income over total equity

There are no events that will trigger any direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause a material change in

the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Company and unconsolidated entities were created during the nine month period ending September 30, 2015.

Material Changes in the Statement of Financial Position (+/- 5%) as of September 30, 2015 versus the Statement of Financial Position as of December 31, 2014

23% Decrease in cash

Due to various capital expenditures on project developments and land acquisitions and payment of loans

9% decrease in receivables

Due to increased efficiency of collection efforts of the Company and certain booked sales are nearing full payment.

9% increase in real estate inventories

Primarily due to the fast tracked completion of the existing residential projects and development costs for the newly launched projects.

14% increase in other current assets

Mainly due to the increase in payments for prepaid commissions and advances to contractors.

84% increase in noncurrent installment contracts receivables

Primarily due to the longer payment terms of vertical sales during the year and some horizontal projects

5% increase in property and equipment

Due to various purchases of transportation vehicles and office renovations to accommodate growing number of employees.

7% decrease in available-for-sale financial assets

Market decline of the Company's available for sale financial assets

27% increase in Accounts and other payables

Mainly due to the increasing development of the Company for horizontal and vertical projects.

8% increase in loans payable

Additional loan availments during the year for working capital purposes

48% decrease in income tax payable

Largely due to decrease in taxable income for the period.

36% increase in pension liabilities

Accrual of pension for the growing number of employees.

31% increase in deferred tax liabilities

Due to temporary taxable differences

42% increase in retained earnings

Attributed to the profitable operations, and revenues from real estate business operations.

14% decrease in unrealized gain on fair value of available-for-sale financial assets

Market decline of the Company's available for sale financial assets

Material Changes in the Statement of Comprehensive Income (+/- 5%) for the year ended September 30, 2015 versus the Statement of Comprehensive Income for the year ended September 30, 2014

29% increase in real estate sales

Primarily due to sales booking of new projects and increase in completion rates for the existing projects

172% increase in rental income

Due to the change in internal operations of the Company whereby a management services agreement was executed in place of the lease agreement in the last quarter of 2014.

104% increase in interest income

Mainly due to the increasing number of buyers with interest bearing terms.

16% decrease in commission income

Decrease in booking of services for the promotional and marketing services rendered.

26% increase in dividend income

Due to the increase in approved dividend for shareholders of PRCI and MJCI, held by the Company

35% decrease in other income

Primarily due to the decrease in the processing of registration and surcharges and penalties collection

20% increase in costs of real estate

Mainly due to the related increase on real estate sales.

447% increase in costs of rental income

Due to the change in internal operations of the Company whereby a management services agreement was executed in place of the lease agreement in the last quarter of 2014. Cost of rental income in 2014 only consists of depreciation of the mall.

12% decrease in commissions

Due to some sales are not subject for commission.

10% decrease in taxes, licenses and fees

Primarily due to the decrease in payment for registration processing and other procurement of licenses.

20% increase in salaries and wages

Due to the increasing number of employees of the Company to support the growing operations of the Company.

60% increase in advertising

Mainly due to the rebranding made by the Company to increase sales activities

104% increase in professional fees

Primarily due to additional professional services rendered to the Company for legal, sales and fund raising activities.

227% increase in representation

Primarily due to additional representation related expenses paid by the Company .

33% increase in depreciation and amortization

Due to the increase in property and equipment.

296% increase in utilities

Increase in administrative and completed project utilities to support the growing operations of the Company.

65% increase in repairs and maintenance

Various payments made to restore administrative equipments and furnitures

35% increase in miscellaneous

Mainly due to the increase in other immaterial expenses other than those detailed in the income statement.

19% increase in provision for income tax

This is a result of a higher taxable income during the period

PART II – OTHER INFORMATION

Item 3: Nine Months of 2016 Developments

A. There are no new Projects or Investments in another line of business or corporation.

B. Composition of Board of Directors

Vicente R. Santos	Chairman
Exequiel D. Robles	President
Mariza Santos-Tan	Treasurer
Aurora D. Robles	Assistant Treasurer
Antonio D. Robles	Director
Orestes R. Santos	Director
Santiago Cua	Director
Jose Ferdinand R. Guiang	Independent Director
Osmundo De Guzman, Jr.	Independent Director

C. Performance of the corporation or result/progress of operations.

Please see the unaudited Financial Statements and Management's Discussion and Analysis (MD&A) on result of operation with regards to the performance of the corporation or result/process of operations.

D. Declaration of Dividends.

None

E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

None

F. Offering of rights, granting of Stock Options and corresponding plans thereof.

None

G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

Not Applicable

H. Other information, material events or happenings that may have affected or may affect market price of security.

None

I. Transferring of assets, except in normal course of business.

None

Item 4: Other notes to Operations and Financials as of September 30, 2016

J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents

None

K. Nature and amount of change in estimates of amounts reported in prior periods and their material effect in the current period.

There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

- L. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.
Availment of additional loans
- M. All Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the period covered.
- N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investment restructurings, and discontinuing operations.
None
- O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.
None
- P. Existence of material contingencies and other material events or transactions during the interim period.
None
- Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
None
- R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations) , and other relationships of the company with unconsolidated entities or others persons created during the reporting period.
None
- S. Material commitments for capital expenditures, general purpose and expected sources of funds.
None
- T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.
None
- U. Significant elements of income or loss that did not arise from continuing operations.
None
- V. Causes for any material change/s from period to period in one or more line items of the financial statements.
See Management Discussion & Analysis portion of the quarter report
- W. Seasonal aspects that had material effect on the financial condition or results of operations.
None
- X. Disclosures not made under SEC Form 17-C
None

STA. LUCIA LAND, INC. AND SUBSIDIARIES**FINANCIAL RATIOS**

As of September 30, 2016

	September 30, 2016	December 31, 2015
Current Ratio	3.49	4.68
Debt to Equity	0.44	0.43
Interest Coverage Ratio	331.58%	725.45%
Return on Asset	2.25%	3.16%
Return on Equity	4.02%	5.32%

	September 30, 2016	September 30, 2015
Gross Profit Margin	59.24%	51.64%
Net Profit Margin	22.49%	22.82%

SIGNATURES

Pursuant to the Requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STA. LUCIA LAND, INC.

Issuer



VICENTE R. SANTOS

Chairman

Date: November 10, 2016



EXEQUIEL D. ROBLES

President

Date: November 10, 2016



MARIZA R. SANTOS-TAN

Treasurer

Date: November 10, 2016