

SEC Number: 031-050

File Number: \_\_\_\_\_

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

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(Company's Full Name)

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

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(Company Address)

(632) 681-7332

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(Telephone Number)

**September 30, 2018**

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(Quarter Ended)

**3rd Quarter Report – SEC Form 17-Q**

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(Form Type)

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(Amendments)

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

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

1. For the quarterly period ended September 30, 2018

2. Commission identification number. 310503. 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

Number of shares of common  
Stock outstanding

8,946,450,000

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 checkmark 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

## TABLE OF CONTENTS

### PART I: FINANCIAL INFORMATION

#### Item 1. Financial Statements

- Consolidated Statements of Financial Position as of September 30, 2018 and December 31, 2017
- Consolidated Statements of Comprehensive Income for the period ended September 30, 2018 and September 30, 2017 and December 31, 2017
- Consolidated Statements of Comprehensive Income for the quarter ended September 30, 2018 and September 30, 2017
- Consolidated Statements of Changes in Stockholders' Equity for the period ended September 30, 2018 and September 30, 2017
- Consolidated Statements of Cash Flows for the period ended September 30, 2018 and September 30, 2017
- Notes to Financial Statements
  - Corporate Information
  - Summary of Accounting Policies
  - Aging of Receivables
  - Segment Information
  - Financial Instruments

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

- Result of Operations for the nine months ended September 30, 2018
- Financial Condition
- Key Performance Indicators
- Material Changes – Balance Sheet (September 30, 2018 versus December 31, 2017)
- Material Changes – Income Statement (September 30, 2018 versus September 30, 2017)

### PART II: OTHER INFORMATION

#### Item 3. 3<sup>rd</sup> Quarter of 2018 Developments

#### Item 4. Other notes to Operations and Financials as of September 30, 2018

#### FINANCIAL RATIOS

#### SIGNATURES

**PART I - FINANCIAL INFORMATION**

**ITEM 1: FINANCIAL STATEMENTS**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of September 30, 2018 and December 31, 2017

	September 30 2018 (Unaudited)	December 31 2017(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	P373,705,735	P626,239,307
Receivables	2,565,466,940	2,686,837,726
Real estate inventories	17,620,317,487	16,027,804,597
Other current assets	5,185,993,637	2,839,921,958
<b>Total Current Assets</b>	<b>25,745,483,799</b>	<b>22,180,803,588</b>
<b>Noncurrent Assets</b>		
Noncurrent installment contracts receivables	1,950,128,804	1,499,767,330
Investment properties	5,055,887,622	5,157,615,826
Property and equipment	44,640,638	55,746,018
Available-for-sale financial assets	869,288,569	878,032,737
Other noncurrent assets	49,091,521	35,047,737
<b>Total Noncurrent Assets</b>	<b>7,969,037,154</b>	<b>7,626,209,648</b>
	<b>P33,714,520,953</b>	<b>P29,807,013,236</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables	P4,086,971,265	P2,992,200,850
Short-term debt	1,981,000,000	5,475,000,000
Customers' deposits	1,802,434,245	1,223,413,496
Income tax payable	19,563,995	46,184,278
<b>Total Current Liabilities</b>	<b>7,889,969,505</b>	<b>9,736,798,624</b>
<b>Noncurrent Liabilities</b>		
Long-term debt	9,970,636,854	5,039,663,054
Pension Liabilities	154,455	718,442,303
Deferred tax liabilities – net	856,279,816	2,154,455
<b>Total Noncurrent Liabilities</b>	<b>10,827,071,125</b>	<b>5,760,259,812</b>
<b>Total Liabilities</b>	<b>18,717,040,630</b>	<b>15,497,058,436</b>
<b>Equity</b>		
Capital stock	10,796,450,000	10,796,450,000
Additional paid-in capital	330,004,284	330,004,284
Retained earnings	4,198,706,893	3,461,949,860
Treasury shares	(740,000,000)	(740,000,000)
Unrealized gain on fair value of available-for-sale financial assets	412,532,821	461,764,331
Remeasurement losses on pension liabilities	(213,675)	(213,675)
<b>Total Equity</b>	<b>14,997,480,323</b>	<b>14,309,954,800</b>
	<b>P33,714,520,953</b>	<b>P29,807,013,236</b>

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

For the Nine Month period ended September 30, 2018 and September 30, 2017 and December 31, 2017

	September 2018	September 2017	December 2017
<b>REVENUE</b>			
Real estate sales	<b>₱1,966,089,184</b>	₱1,586,276,853	₱2,108,492,387
Rental income	<b>675,973,733</b>	799,736,510	1,026,099,885
Interest income	<b>97,805,120</b>	81,891,113	160,047,822
Construction income	–	–	109,263,232
Commission income	<b>202,405,474</b>	183,213,175	1,612,700
Dividend income	–	7,157,683	7,157,683
Others	<b>219,071,778</b>	136,955,555	276,625,704
	<b>3,161,345,289</b>	2,795,230,889	3,689,299,413
<b>COSTS AND EXPENSES</b>			
Cost of real estate	<b>638,093,110</b>	502,518,429	860,882,958
Cost of rental income	<b>402,747,883</b>	396,146,129	583,993,393
Cost of construction	–	–	943,899
Interest expense	<b>474,822,873</b>	317,942,127	487,638,932
Depreciation and amortization	<b>13,269,121</b>	14,821,320	19,825,280
Commissions	<b>277,626,738</b>	319,794,731	243,968,182
Advertising	<b>84,739,584</b>	35,210,258	56,336,866
Taxes, licenses and fees	<b>64,231,852</b>	59,327,404	98,388,080
Salaries and wages and other benefits	<b>40,695,413</b>	35,221,608	64,083,755
Professional fees	<b>56,231,821</b>	62,373,570	31,402,473
Representation	<b>13,355,521</b>	15,027,109	19,713,990
Utilities	<b>5,244,429</b>	8,849,898	21,894,451
Repairs and maintenance	<b>3,454,502</b>	4,172,153	17,045,872
Provision for doubtful account	–	–	2,550,308
Miscellaneous	<b>40,730,703</b>	32,382,255	49,608,318
	<b>2,115,243,550</b>	1,803,786,991	2,558,276,757
<b>INCOME BEFORE INCOME TAX</b>	<b>1,046,101,739</b>	991,443,898	1,131,022,656
<b>PROVISION FOR INCOME TAX</b>	<b>309,344,706</b>	290,941,946	313,371,404
<b>NET INCOME</b>	<b>736,757,033</b>	700,501,952	817,651,252
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealized gain for fair value of available-for-sale financial assets	<b>(49,231,510)</b>	(21,889,464)	25,976,439
Remeasurement gains (losses) on pension liabilities – net of tax	–	–	359,984
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱687,525,523</b>	₱678,612,488	₱843,987,675
<b>Basic/Diluted Earnings Per Share</b>	<b>₱0.082</b>	₱0.078	₱0.091

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

For the quarter ended September 30, 2018 and September 30, 2017

	July-September 2018(Unaudited)	July-September 2017(Unaudited)
<b>REVENUE</b>		
Real estate sales	<b>₱631,395,002</b>	₱455,295,740
Rental income	<b>194,462,773</b>	267,203,618
Interest income	<b>33,208,540</b>	32,885,193
Commission Income	<b>196,176,591</b>	167,298,135
Dividend income	–	7,157,683
Others	<b>79,433,966</b>	64,823,517
	<b>1,134,676,872</b>	994,663,886
<b>COSTS AND EXPENSES</b>		
Cost of real estate	<b>174,443,676</b>	173,515,975
Cost of rental income	<b>133,849,014</b>	129,704,481
Interest expense	<b>180,358,557</b>	123,519,000
Depreciation and amortization	<b>4,485,115</b>	6,007,449
Commissions	<b>160,661,578</b>	155,765,068
Advertising	<b>52,508,219</b>	12,295,561
Taxes, licenses and fees	<b>36,920,316</b>	21,878,434
Salaries and wages	<b>19,408,078</b>	17,079,518
Professional fees	<b>21,070,786</b>	21,483,818
Representation	<b>5,502,269</b>	4,706,081
Utilities	<b>1,314,953</b>	4,340,765
Repairs and maintenance	<b>1,791,862</b>	1,406,984
Miscellaneous	<b>21,928,133</b>	13,816,385
	<b>814,242,556</b>	685,519,519
<b>INCOME BEFORE INCOME TAX</b>	<b>320,434,316</b>	309,144,367
<b>PROVISION FOR INCOME TAX</b>	<b>91,648,581</b>	86,252,269
<b>NET INCOME</b>	<b>228,785,735</b>	222,892,098
<b>OTHER COMPREHENSIVE INCOME</b>	<b>42,247,811</b>	86,112,135
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱271,033,546</b>	₱309,004,233

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

For the nine months ended September 30, 2018 and September 30, 2017

	<b>September 2018</b>	September 2017
<b>CAPITAL STOCK</b>		
Common shares - ₱1 par value		
Authorized - 16,000,000,000 shares		
Issued and outstanding – 10,796,450,000 shares	<b>₱10,796,450,000</b>	₱10,796,450,000
	<b>10,796,450,000</b>	10,796,450,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>330,004,284</b>	330,004,284
<b>TREASURY SHARES</b>	<b>(740,000,000)</b>	(740,000,000)
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	<b>3,461,949,860</b>	2,644,298,608
Net income	<b>736,757,033</b>	700,501,952
Balance at end of period	<b>4,198,706,893</b>	3,344,800,560
<b>UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>412,532,821</b>	413,898,428
<b>REMEASUREMENT GAIN (LOSS) ON PENSION</b>		
<b>LIABILITIES- NET OF TAX</b>	<b>(213,675)</b>	(573,659)
	<b>₱14,997,480,323</b>	₱14,144,579,613

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

For the nine months ended September 30, 2018 and September 30, 2017

	September 2018	September 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱1,046,101,739</b>	₱991,443,898
Adjustments for:		
Depreciation and amortization expense	<b>114,997,326</b>	126,230,011
Interest expense	<b>542,747,113</b>	379,832,626
Dividend income		—
Interest income	<b>(97,805,120)</b>	(81,891,113)
Operating income before changes in working capital	<b>1,606,041,058</b>	1,415,615,422
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>(272,154,163)</b>	(571,632,027)
Real estate inventories	<b>(2,162,681,760)</b>	(4,013,454,503)
Due from related parties	<b>(56,836,526)</b>	(56,836,526)
Prepayment and other current assets	<b>(1,903,495,602)</b>	(762,384,101)
Increase (decrease) in:		
Accounts and other payables	<b>1,112,804,038,</b>	742,414,922
Customers' deposits	<b>579,020,748</b>	562,093,948
Net cash generated from (used in) operations	<b>(1,097,302,207)</b>	(2,684,182,865)
Interest paid	<b>(560,462,292)</b>	(273,560,014)
Interest received	<b>97,805,120</b>	81,891,113
Income taxes paid	<b>(182,366,669)</b>	(107,814,897)
Net cash provided by (used in) operating activities	<b>(1,742,326,048)</b>	(2,983,666,663)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposals of (additions to):		
Property and equipment	<b>(2,163,741)</b>	20,026,238
Investment properties	—	(58,190,750)
Other noncurrent assets	<b>(14,043,783)</b>	(10,288,638)
Net cash used in investing activities	<b>(16,207,524)</b>	(48,453,150)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	<b>(5,477,000,000)</b>	7,143,000,000
Payment of loans	<b>6,983,000,000</b>	(3,897,000,000)
Net cash provided by financing activities	<b>1,506,000,000</b>	3,246,000,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(252,533,572)</b>	213,880,187
<b>CASH AT BEGINNING OF YEAR</b>	<b>626,239,307</b>	140,450,437
<b>CASH AT END OF PERIOD</b>	<b>₱373,705,735</b>	₱354,330,624



# STA. LUCIA LAND, INC. AND SUBSIDIARIES

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## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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### 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 end of the corporate life of the Parent Company is on December 5, 2016. On June 16, 2016, the SEC approved the extension of the Parent Company's life to another 50 years up to December 5, 2066.

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).

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.

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## 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 quoted 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 (PFRSs).

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of September 30, 2018 and September 30, 2017.

Control is achieved when the Group 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 Group controls an investee if and only if the Group 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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events.

When necessary, adjustments are made to the financial statements of subsidiaries to bring

their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expense and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	% of Ownership
Sta. Lucia Homes, Inc. (SLHI)	100.00%
Santalucia Ventures, Inc. (SVI)	100.00%

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017.

Adoption of these pronouncements did not have any significant impact in the Group’s financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)  
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Group’s consolidated financial statements because it does not have disposal group.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*  
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 27 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the years ended December 31, 2016 and 2015.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*  
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

#### Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. These amendments are not expected to have any impact to the Group because it does not have any share based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. These amendments are not applicable to the Group since none of the entities within the Group have activities that are connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

Although the new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs, the SEC has issued SEC Memorandum Circular No. 14, series of 2018, Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry.

The Commission En Banc, in its meeting held on October 25, 2018, decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of the percentage of completion (POC), for a period of three (3) years.

The deferral will only be applicable for real estate transactions. Effective January 01, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The above relief shall form part of the PFRS for the purpose of preparing and filing general-purpose financial statements with the Commission.

- *PFRS 9, Financial Instruments*  
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.

The Group plans to adopt the new standard in the mandatory effective date.

In 2017, the Group performed its initial impact assessment of PFRS 9 and assessed that it will impact its methodology and measurement of credit losses as well as on the classification and measurement of financial assets. There is no impact to the classification and measurement of its financial liabilities.

- *Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*  
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.
- *Amendments to PAS 40, Investment Property, Transfers of Investment Property*  
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of

investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group has assessed the impact of the Standard and will apply to its future change in use of properties to and from investment properties given that it is in the mall and commercial center operations.

- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration* The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

- *PFRS 16, Leases*  
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
- Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
- Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.
- PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.  
Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group expects the standard

to impact its operating lease arrangements which will require recognition of right of use asset in the books and its related lease liability. The Group does not expect significant impact of the standard to its arrangements as a lessor.

#### *Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in statement of financial position based on current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability at least twelve months after the reporting period.

#### Cash

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rate.

#### Financial Instruments

##### *Date of recognition*

The Group recognizes a financial asset or a liability on the statement of financial position when it 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 trade date, which is the date when the Group commits to purchase or sell the asset.

#### *Initial recognition of financial instruments*

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivables, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group's financial instruments are of the nature of loans and receivables, available-for-sale (AFS) financial assets, and other financial liabilities.

#### *Determination of fair value*

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, other financial liabilities and nonfinancial assets measured at cost such as investment properties every reporting date as disclosed in Notes 9 and 25.

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 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 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 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.

#### *“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 under interest income, 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 statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group’s trade receivables and noncurrent installment contracts receivables.

#### *AFS financial assets*

AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently 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 Gains (Losses) on Fair Value of Available-for-Sale Financial Assets” in the other comprehensive income section of the statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair values of unquoted equity instruments, then instruments are carried at cost less any allowance for impairment losses.

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 method.

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 both quoted and unquoted equity securities included under “Available-for-Sale Financial Assets” account in the statement of financial position. The Group’s quoted equity securities pertain to investments in casinos and gaming company while unquoted securities pertain to investment in real estate company.

#### *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 part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process.

As of September 31, 2018 and 2017, 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.

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. Financial assets carried at amortized costs, 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

#### *AFS financial assets carried at fair value*

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 statement of comprehensive income - is removed from other comprehensive income and recognized in profit and loss. In case of unquoted AFS, the Group obtains other basis of recoverable value such as the recent net asset value of the investee or forecast of financial performance of the investee. 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.

#### *AFS financial assets carried at cost*

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

### 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 right to receive cash flows from the asset has expired or
- b. the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 or will be occupied by the Group, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and held it for sale in the ordinary course of business at the prevailing market price. The total of repossessed properties included in the “Real Estate Inventories” account in the consolidated statement of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

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. These include 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.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

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 and included under “Costs of Rental Income” in the consolidated statement of comprehensive income. 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	5 to 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 to 5

The useful life and depreciation and amortization 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.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current

operations.

#### Interests in Joint Operations

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

#### Impairment of Nonfinancial Assets

This accounting policy relates to the other current assets, investment properties and property and equipment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the 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’ Deposits” 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 a funded, 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 (PUC) method.

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### 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



and charged to “Additional Paid-in Capital” (APIC) account. If APIC is not sufficient, the excess is charged against retained earnings.

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 Shares

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 Group’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.

Retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

#### 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.

#### *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 payment (buyers’ equity) 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 percentage-of-completion method. In accordance with Philippine Interpretations Committee 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 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’ Deposits” account in

the consolidated statement of financial position.

For sales transactions with its supplier whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services, the same revenue recognition policy as above is applied, except that buyer's equity is measured based on the fair value of materials and services received to date. For materials and services received to date, pending recognition of sale, these are presented as "Offsetting Payable" under accounts and other payables in the liabilities section of the consolidated statement of financial position until the criteria for revenue recognition are met.

#### *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 of 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 which are recognized as revenue upon collection.

Other income also includes profit share in hotel operations which is derived from the Group's share in service 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 when earned.

#### *Cost of real estate*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate inventories 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 rental income*

Cost of rental income is mostly coming from depreciation, utilities and management fees. These are recognized as cost when incurred, except for depreciation which is recognized on a straight-line basis.

#### *Cost of construction*

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

#### *Other costs and expenses*

Other 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.

Other 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 commission is charged to expense when 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.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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.

As of September 30, 2018 and 2017, the Group has no potential diluted common shares.

#### 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. Financial information on business segments is presented in Note 21 to the consolidated financial statements.

#### Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in 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.

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### **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 investment of 20% of the net contract price for real estate development and sale would demonstrate the buyer's commitment to pay. Management regularly evaluates the

historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

#### *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.

#### *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.

#### *Recognizing 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 future 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.

#### *Determination of significant influence on an investee company*

If an investor holds, directly or indirectly, less than 20% of the voting power of the investee company, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Since the Group only has 12.50% ownership interest in Uni-Asia, the Group determined that it does not have control or significant influence.

#### Management's Use of Estimates

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 on real estate*

The Group applies the percentage of completion (POC) method in determining real estate revenue and cost. The POC is based on the physical proportion of work and the cost of sales is determined based on the estimated project development costs applied with the respective project's POC.

#### *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. The assessment also considers that title of the property passes on to the buyer only when the receivable is fully collected.

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 of inventories*

Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged, slow or non-moving or if their selling prices have declined in comparison to the cost.

#### *Evaluation of impairment of other non-financial assets (except inventories)*

The Group reviews other current assets, investment properties and property and equipment for impairment in 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 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..

#### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statements 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, 2018(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			
<b>Trade</b>	₱ 3,400,905,050	₱ 10,414,255	₱ 10,413,868	₱ 12,173,515	₱ 10,794,106	₱ 42,160,582	₱ 85,956,326	₱-	₱ 3,486,861,376	
<b>Nontrade</b>	1,028,734,368	-	-	-	-	-	-	-	1,028,734,368	
<b>Total</b>	₱ 4,429,639,418	₱ 10,414,255	₱ 10,413,868	₱ 12,173,515	₱ 10,794,106	₱ 42,160,582	₱ 85,956,326	₱-	₱ 4,515,595,744	

As of September 30, 2017(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			
<b>Trade</b>	₱ 2,922,033,074	₱ 9,011,468	₱ 7,737,097	₱ 7,389,498	₱ 8,949,868	₱ 22,028,228	₱ 55,116,159	₱-	₱ 2,977,149,233	
<b>Nontrade</b>	1,080,501,588	-	-	-	-	-	-	-	1,080,501,588	
<b>Total</b>	₱ 4,002,534,662	₱ 9,011,468	₱ 7,737,097	₱ 12,043,763	₱ 8,949,868	₱ 22,028,228	₱ 55,116,159	₱-	₱ 4,057,650,821	

## 5. Segment Information

The following tables regarding business segments present assets and liabilities as of September 30, 2018 and September 30, 2017 and revenue and income information for each of the two periods ended September 30, 2018 and September 30, 2017.

### As of September 30, 2018 (Unaudited)

	Leasing	Residential Development	Total
Rental income	₱ 675,973,733	₱–	₱675,973,733
Depreciation	–	–	–
Cost of rental income	(402,747,883)	–	(402,747,883)
Real estate sales	–	2,168,494,658	2,168,494,658
Cost of real estate sales	–	(638,093,110)	(638,093,110)
Segment profit	273,225,850	1,530,401,548	1,803,627,398
General and administrative expense	(75,222,542)	(483,626,439)	(558,848,981)
Interest income	–	97,805,120	97,805,120
Interest expense	–	(474,822,873)	(474,822,873)
Other income	–	219,071,778	219,071,778
Other expense	–	(40,730,704)	(40,730,704)
Provision for income tax	(59,400,992)	(249,943,713)	(309,344,705)
Net income	₱138,602,316	₱598,154,717	₱736,757,033
Segment assets	₱ 5,055,887,622	₱ 28,658,633,331	₱33,714,520,953
Deposit on land purchase	–	–	–
Total segment assets	₱5,055,887,622	₱28,658,633,331	₱33,714,520,953
Segment liabilities	₱–	₱ 13,954,225,554	₱13,954,225,554
Accounts and other payables	–	4,086,971,265	4,086,971,265
Income tax payable	4,149,163	15,414,832	19,563,995
Deferred tax liability	533,373,067	322,906,749	856,279,816
Total liabilities	₱537,522,230	₱18,379,518,399	₱18,917,040,630

### As of September 30, 2017 (Unaudited)

	Leasing	Residential Development	Total
Rental income	₱799,736,510	₱–	₱799,736,510
Depreciation	(111,408,691)	–	(111,408,691)
Cost of rental income	(396,146,129)	–	(396,146,129)
Real estate sales	–	1,769,490,028	1,769,490,028
Cost of real estate sales	–	(502,518,429)	(502,518,429)
Segment profit	292,181,690	1,266,971,599	1,559,153,289
General and administrative expense	(8,206,650)	(435,182,711)	(443,389,361)
Interest income	–	81,891,113	81,891,113
Interest expense	–	(317,942,127)	(317,942,127)
Other income	–	144,113,238	144,113,238
Other expense	–	(32,382,255)	(32,382,255)
Provision for income tax	(85,192,512)	(205,749,434)	(290,941,946)
Net income	₱198,782,528	₱501,719,423	₱700,501,951
Segment assets	₱5,099,629,824	₱24,212,178,344	₱29,311,808,168
Deposit on land purchase	–	–	–
Total segment assets	₱5,099,629,824	₱24,212,178,344	₱29,311,808,168
Segment liabilities	₱–	₱10,857,803,032	₱10,857,803,032
Accounts and other payables	–	3,532,019,678	3,532,019,678
Income tax payable	5,943,586	14,354,425	20,298,011
Deferred tax liability	408,338,217	348,769,617	757,107,834
Total liabilities	₱414,281,803	₱14,745,315,121	₱15,167,228,555

## 6. Basic/Diluted Earnings per Share

The basic/diluted earnings per share amounts for the years ended September 30, 2018, September 30, 2017 and December 31, 2017 were computed as follows:

	September 2018	September 2017	December 2017
Net income	<b>₱736,757,033</b>	₱700,501,952	₱817,651,252
Weighted average number of shares outstanding	<b>8,946,450,000</b>	8,946,450,000	8,946,450,000
	<b>₱0.082</b>	₱0.078	₱0.091

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, receivables accounts and other payables*

Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

#### *Loans payable*

Carrying amounts approximate the fair values because they carry interest rates which are the prevailing market rates for similar instruments.

#### *Noncurrent installment contracts 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.

There have been no transfers between Level 1 and Level 2 during 2018 and 2017.

### Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash, receivables, AFS financial assets and accounts and other payables, short-term debt and long-term debt. The Group 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 Group.

#### *Liquidity risk*

Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity offerings.

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 Group 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*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial assets comprise of cash on hand and in bank, trade receivable, interest receivable and AFS financial assets. The Group 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. 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 amortization due. 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.

The credit quality of the financial assets was determined as follows:

Cash - based on the nature of the counterparty.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

#### *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 Group manages the equity price risk through diversification and placing limits on equity instruments.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group'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 Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group 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**

### **Result of Operations**

*(Nine month period ended September 30, 2018 compared to the nine month period ended September 30, 2017)*

#### **Revenue**

Sta. Lucia Land Inc. and Subsidiaries' (Group) gross revenue grew by 13% for the nine month period ending September 30, 2018 as compared to same period last year's P2,795 million. The overall increase of P366 million is the result of aggressive marketing schemes and more lots and units are

Sta. Lucia Land, Inc.

SEC Form 17Q – Third Quarter 2018

offered to the market because of continuous project development. Real estate sales mainly contribute to the increase by P380 million which is partly offset by the decrease in rental income amounting to P124 million since no escalation was given to tenants in upon contract renewal while other income also increase by 82% or P82 million for the three quarters ending Interest income also increased by 19% since more buyers are opting for longer payments and more interest are earned through these installment receivables.

#### Cost and Expense

As a result of growing operation, overall costs and expenses of the Group posted an increase of P311 million from P1,804 million to P2,115 million for the nine months period ending September 30, 2018. Cost of real estate sales like increase by P135 million driven by higher sales. During the year, the Group secured P5 billion through issuance of credit notes facility from various banks which causes interest expenses to increase by P157 million. Advertising expense also increase by 141% or P50 million which results higher sales generated during the period.

Professional fees, salaries, utilities, representations, and repairs and maintenance totaling P119 slightly decreased by P6 million due to cost minimization and decrease in consultants and the need for professional service during the nine month period ending September 30, 2018.

#### Comprehensive Income

Total comprehensive income of the Group reported P688 million which is slightly higher by P9 million for the nine month period ending September 30, 2018 as compared to same period last year. In addition, the fair market value of investments held in form of stocks drops down by P49 million by the end of September 30, 2018.

#### **Financial Condition**

*(Nine months ended September 30, 2018 compared to year ended December 31, 2017)*

#### Total Assets

Total assets reported by the Group amounts to P33,715 million as of 3<sup>rd</sup> quarter of 2018 from P29,807 in December 31, 2017. This shows an increase of P5,516 million which is mainly due to P5 billion credit notes facility from various banks used to finance new and on-going project developments, procurement of raw lands and settlement of short term obligations. This results to increase in real estate inventories amounting to P1,593 million while other current assets also increase by P2,346 million due to advance made to contractors for project development, advances to landowners for land acquisition under installment basis and advance commission for more extensive marketing and sales promotion.

#### Total Liabilities

Group's total liabilities posted an amount of P18,717 as of 3<sup>rd</sup> quarter of 2018 which is 21% higher as compared to P15,497 million from December 31, 2017. This is due to P5 billion credit notes facility secured from various banks during the year. Part of the P5 billion was used to settle portion of the outstanding short term loans. Accounts payable adds P1,095 million to the overall increase in liability of P3,220 million. Other factors are downpayments and reservation fees made by buyers which increases customer's deposit account by P579 million.

## Key Performance Indicators

	September 30, 2018	December 31, 2017
<b>Current Ratio</b>	<b>3.51</b>	<b>2.28</b>
<b>Debt to Equity</b>	<b>0.80</b>	<b>0.73</b>
<b>Interest Coverage Ratio</b>	<b>320.31%</b>	<b>331.94%</b>
<b>Return on Asset</b>	<b>2.19%</b>	<b>3.03%</b>
<b>Return on Equity</b>	<b>4.91%</b>	<b>5.71%</b>

\*Notes to Key Performance Indicator:

1. Current Ratio = current assets (*cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans and income tax payables*).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio = Earnings before Income Tax and Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

## Material Changes in the Balance Sheet (+/- 5%) as of September 30, 2018 versus the Balance Sheet as of December 31, 2017

### **40% decrease in cash**

*Attributable to capital expenditures incurred for the continuous development of existing projects and acquisition of various raw lands for future expansions and new projects.*

### **5% increase in current receivables**

*Due to remarkable sales growth and more projects that have been developed and offered for sale in the market.*

### **10% increase in real estate inventories**

*This is due to procurement of raw lands, new projects started in 2018 and continuous development of ongoing projects. The Group used the P5 billion to partly finance its capital expenditures.*

### **83% increase in other current assets**

*Primarily due to advances made to contractors to develop raw lands purchased in the previous year and also advance commissions paid to marketing arms to promote sales.*

### **30% increase in non-current receivables**

*This pertains to receivable from buyer that are expected to be collected more than 1 year or operating cycle of the Group.*

### **20% decrease in property and equipment**

*Due to depreciation of property and equipment for the period ending September 2018.*

### **40% increase in other noncurrent assets**

*Mainly due to security deposits made for the first three quarters of 2018.*

### **37% increase in accounts and other payables**

*Attributable to land development cost incurred for project expansion and purchase of raw land.*



**64% decrease in short-term debt**

*This is a result of settlement of some short term obligation financed by the P5 billion credit notes facility secured from various banks*

**47% increase in customers' deposits**

*In relation to downpayments and reservation fees paid by the buyer caused by extensive marketing strategies and more residential and commercial lots offered in the market.*

**58% decrease in income tax payable**

*Attributable to the current operations tax due.*

**98% increase in long-term debt**

*Due to a new long term note facility amounting to P5 billion availed during 2018.*

**19% increase in deferred tax liabilities**

*Attributable to timing differences in revenue and expenses between accounting and tax reporting .*

**93% decrease in pension liabilities**

*Due to remeasurement of retirement liability.*

**21% increase in retained earnings**

*Mainly due to the net income recognized for the period.*

**11% decrease in unrealized fair market value of AFS**

*Due to the movement of market values of quoted investment securities of Phil Racing Inc. and Manila Jockey Club Inc..*

**Material Changes in the Income Statement (+/-5%) for the Nine-Month Period Ended September 30, 2018 versus the Income Statement for the Nine-Month Period Ended September 30, 2017**

**24% increase in real estate sales**

*Driven by the extensive marketing schemes and more lots and units are offered for sales as a result of more projects that are developed and newly procured lands and joint ventures being dealt with.*

**15% decrease in rental income**

*Due to reconsideration of rate escalation for the year during the 2018 contract renewal.*

**19% increase in interest income**

*Mainly due to buyers opting for longer payment schemes, more interest are earned from these installment receivables.*

**10% increase in commission income**

*Directly relative to volumes of income generated by the marketing subsidiary, Santalucia Ventures, Inc. during the first three quarters of 2018.*

**60% increase in other income**

*Attributable to increase in other revenue which consists mostly of booking of surcharges/penalties, processing fees, income related to defaults of various buyers and cancelled sales.*

**27% increase in cost of real estate sales**

*Directly relative to the increase of real estate sales recognized for the period.*

**10% decrease in depreciation and amortization**

*Due to depreciation expense recognized by the group for the first three quarters of 2018.*

**49% increase in interest expense**

*Attributable to increase in note facility amounting to P5 billion availed during 2018.*

**13% decrease in commissions**

*Caused by varying rates of commissions fees paid to marketing arms.*

**141% increase in advertising**

*Primarily due to more aggressive marketing strategies and promotions which results to the increase in real estate sales.*

**8% increase in taxes and licenses**

*Mainly attributable to operational activities of the Group and lower volume of processing.*

**10% decrease in professional fees**

*Attributable to minimal consultation made to professionals for the first three quarters of 2018.*

**16% increase in salaries and wages and other benefits**

*Driven by increase in number of employees and salary adjustments.*

**11% decrease in representation expense**

*DUe to lower incurred transactions for the first three quarters of 2018.*

**41% decrease in utilities**

*Primarily due to the decrease in costs of electricity, water and dues incurred of subdivision projects and mall operations.*

**17% decrease in repairs and maintenance**

*Attributable to the capitalization of various major repairs and maintenance to inventory accounts and lessened costs for the administration.*

**26% increase in miscellaneous expenses**

*Due to surcharges and penalties, insurance, legal, office supplies, software maintenance and transportation expenses incurred by the Group.*

<b>PART II – OTHER INFORMATION</b>
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**Item 3: Nine Months of 2018 Developments**

No additional subscription was made by the Company nor was any merger executed.

A. 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
SantiagoCua	Director
Jose Ferdinand R. Guiang	Independent Director
Osmundo De Guzman, Jr.	Independent Director

B. 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.*

- C. Declaration of Dividends.  
*None*
- D. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.  
*None*
- E. Offering of rights, granting of Stock Options and corresponding plans thereof.  
*None*
- F. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.  
*Not Applicable*
- G. Other information, material events or happenings that may have affected or may affect market price of security.  
*None*
- H. Transferring of assets, except in normal course of business.  
*None*

**Item 4: Other notes to Operations and Financials as of September 30, 2018**

- I. 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*
- J. 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.*
- K. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.  
*None.*
- L. 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.*
- M. 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*
- N. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.  
*None*

- O. Existence of material contingencies and other material events or transactions during the interim period.  
*None*
- P. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.  
*None*
- Q. 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*
- R. Material commitments for capital expenditures, general purpose and expected sources of funds.  
*None*
- S. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.  
*None*
- T. Significant elements of income or loss that did not arise from continuing operations.  
*None*
- U. 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*
- V. Seasonal aspects that had material effect on the financial condition or results of operations.  
*None*
- W. Disclosures not made under SEC Form 17-C  
*None*

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

As of September 30, 2018

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
<b>Current Ratio</b>	<b>3.51</b>	<b>2.28</b>
<b>Debt to Equity</b>	<b>0.80</b>	<b>0.73</b>
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<b>Return on Equity</b>	<b>4.91%</b>	<b>5.71%</b>

## 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



**EXEQUIEL D. ROBLES**  
**President & CEO**  
Date: November 15, 2018



**VICENTE R. SANTOS**  
**Chairman**  
Date: November 15, 2018