# COVER SHEET

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SEC Registration Number

I R C  P R O P E R T I E S ,  I N C .

(Company's Full Name)

3 5 T H  F L O O R  R U F I N O

P A C I F I C  T O W E R  6 7 8 4  A Y A L A  A V E .

M A K A T I  C I T Y

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

| GEORGINA A. MONSOD | | 750-2000 |
|---|---|---|
| Contact Person | | Company Telephone Number |

**SEC Form 17-Q**

| 1 | 2 | | 3 | 1 | FORM TYPE | | |
|---|---|---|---|---|---|---|---|
| Month | | | Day | | | Month | Day |

Fiscal Year

Annual Meeting

F S

Secondary License Type, If Applicable

N/A

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SEC Number **60312**
File Number ____________

**IRC PROPERTIES, INC.**
(Company's Full Name)

**35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City**
(Company's Address)

**(02) 750-2000**
(Telephone Numbers)

**December 31**
(Fiscal Year Ending)
(month and day)

**Quarterly Report**
Form Type

____________________________________
Amendment Designation (if applicable)

**March 31, 2018**
Quarter Ended Date

**Publicly Listed Corporation**
(Secondary License Type and File Number)

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

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

1. For the quarterly period ended : **March 31, 2018**

2. Commission Identification Number : **60312** 3. BIR Tax Identification Number : **000-464-876**

4. Exact name of registrant as specified in its charter : **IRC PROPERTIES, INC.**

5. Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
6. Industry Classification Code : [ ] (SEC Use Only)

7. Address of registrant's principal office Postal Code
**35F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City** **1223**

8. Registrant's telephone number, including area code : **(0632) 750-2000**

9. Former name, former address and former fiscal year, if changed since last report
**N/A**

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

| Title of Each Class | Number of shares outstanding |
|---|---|
| **Common** | **1,327,113,964** |

11. Are any or all of the securities listed on a Stock Exchange?
Yes [**x**] No [ ]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [**x**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [**x**] No [ ]

**IRC Properties, Inc. and Subsidiary**

Consolidated Statements of Financial Position
As at March 31, 2018 and December 31, 2017
(All amounts in Philippine Peso)

| | Notes | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | 2 | **P15,357,347** | P1,908,897 |
| Receivables, net | 3 | **77,402,012** | 80,309,265 |
| Available-for-sale financial assets | 4 | **620,380** | 620,380 |
| Funds held by custodian bank | 6, 14 | **16,368,062** | 16,368,062 |
| Land held for development | 7 | **996,494,497** | 984,669,499 |
| Real properties held for sale and development | 7 | **22,062,060** | 38,814,696 |
| Prepayments and other current assets | 5 | **40,995,889** | 39,944,340 |
| Total current assets | | **1,169,300,247** | 1,162,635,139 |
| **Non-current assets** | | | |
| Investment property | 8 | **2,494,493,668** | 2,487,484,670 |
| Property and equipment, net | 9 | **1,588,736** | 1,814,157 |
| Other assets | 10 | **1,730,642** | 1,751,368 |
| Total non-current assets | | **2,497,813,046** | 2,491,050,195 |
| **Total assets** | | **3,667,113,293** | 3,653,685,334 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued expenses | 11 | **152,091,472** | 146,108,392 |
| Current portion of provision for clearing costs | 12 | **90,847,367** | 92,971,285 |
| Current portion of borrowings | 13 | **207,508,827** | 229,994,348 |
| Liability for refund of stock rights subscription | 6, 14 | **16,368,062** | 16,368,062 |
| Total current liabilities | | **466,815,728** | 485,442,087 |
| **Non-current liabilities** | | | |
| Borrowings, net of current portion | 13 | **29,894,870** | 31,923,759 |
| Deferred tax liability, net | | **442,262,933** | 436,799,331 |
| Provision for clearing costs, net of current portion | 12 | **827,209,024** | 827,209,024 |
| Retirement benefit obligation | | **8,197,758** | 4,953,227 |
| Total non-current liabilities | | **1,307,564,585** | 1,300,885,341 |
| Total liabilities | | **1,774,380,313** | 1,786,327,428 |
| **Equity** | | | |
| Share capital | 14 | **1,327,113,964** | 1,327,113,964 |
| Share premium | 14 | **130,898,642** | 130,898,642 |
| Treasury shares | 14 | **(18,642)** | (18,642) |
| Fair value reserve | 4 | **(8,943)** | (8,943) |
| Remeasurement gain of retirement obligation, net of tax | | **301,506** | 301,506 |
| Retained earnings | | **434,446,453** | 409,071,379 |
| Total equity | | **1,892,732,980** | 1,867,357,906 |
| **Total liabilities and equity** | | **P3,667,113,293** | P3,653,685,334 |

**IRC Properties, Inc. and Subsidiary**

Consolidated Statements of Total Comprehensive Income
For the three-months period ended March 31, 2018 and 2017
And for the year ended December 31, 2017
(All amounts in Philippine Peso)

| | Notes | March 2018 (UNAUDITED) | March 2017 (UNAUDITED) | December 31 2017 (AUDITED) |
|---|---|---|---|---|
| **Income** | | | | |
| Sales of real estate, net | 7 | **P25,051,250** | P50,941,021 | P163,460,335 |
| Fair value gain on investment property | | **-** | - | 31,764,573 |
| Rental income | | **116,907** | - | 350,721 |
| Interest income | 2 | **4,217** | 1,487 | 11,391 |
| Reversal of notes payable | 13 | **50,000,000** | - | - |
| Other income | | **2,592** | 21,250 | 60,858 |
| | | **75,174,966** | 50,963,758 | 195,647,878 |
| **Costs and expenses** | | | | |
| Cost of sales | 7 | **16,752,636** | 28,060,146 | 109,311,571 |
| Commission | | **1,647,717** | 4,571,632 | 14,552,114 |
| Salaries, wages and employee benefits | 15 | **2,702,068** | 2,111,695 | 9,993,492 |
| Professional fees and other outside services | | **1,908,943** | 97,857 | 5,730,094 |
| Meeting expenses | | **1,100,740** | 975,252 | 4,639,279 |
| Rent | 17 | **1,185,709** | 1,106,763 | 4,558,625 |
| Taxes and licenses | | **1,665,774** | 1,363,512 | 3,594,349 |
| Office supplies | | **461,666** | 309,699 | 1,538,059 |
| Loss on relinquishment of investment property | 8 | **-** | - | 1,182,929 |
| Retirement benefit expense | 21 | **3,244,531** | - | 978,123 |
| Depreciation | 9 | **225,421** | 221,601 | 897,922 |
| Provision for doubtful accounts | 3 | **6,397,956** | - | - |
| Other expenses | 16 | **7,043,129** | 4,922,506 | 9,034,668 |
| | | **44,336,290** | 43,740,663 | 166,011,225 |
| **Income before income tax** | | **30,838,676** | 7,223,095 | 29,636,653 |
| Income tax expense | 18 | **(5,463,602)** | (2,166,928) | (6,680,458) |
| **Net income for the year** | | **25,375,074** | 5,056,167 | 22,956,195 |
| Item that will not be reclassified to profit or loss: | | | | |
| Remeasurement gain of retirement benefit obligation, net of tax | 21 | **-** | - | 312,395 |
| **Total comprehensive income for the year** | | **P25,375,074** | 5,056,167 | P23,268,590 |
| **Basic and diluted earnings per share** | 14 | **0.02** | 0.004 | 0.02 |

**IRC Properties, Inc. and Subsidiary**
Consolidated Statements of Changes in Equity
For the three-months period ended March 31, 2018 and 2017
And for the year ended December 31, 2017
(All amounts in Philippine Peso)

| | Share capital (Note 14) | Share premium (Note 14) | Treasury shares (Note 14) | Fair value reserve (Note 4) | Remeasurement gain (loss) of retirement benefit obligation | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balances as at January 1, 2017** | P1,327,113,978 | P130,880,000 | P(14) | P(8,943) | P(10,889) | P386,115,184 | P1,844,089,316 |
| **Comprehensive income** | | | | | | | |
| Net income for the first quarter | | | | | | 5,056,167 | 5,056,167 |
| Total comprehensive income for the year | - | - | - | - | - | 5,056,167 | 5,056,167 |
| **Balances as at March 31, 2017** | 1,327,113,978 | 130,880,000 | (14) | (8,943) | (10,889) | 391,171,351 | 1,849,145,483 |
| **Comprehensive income** | | | | | | | |
| Net income for the year | - | - | - | - | - | 17,900,028 | 17,900,028 |
| Other comprehensive income | | | | | | | |
| Remeasurement gain of retirement benefit obligation, net of tax | - | - | - | - | 312,395 | - | 312,395 |
| Total comprehensive income for the year | - | - | - | - | 312,395 | 17,900,028 | 18,212,423 |
| **Transaction with owners** | | | | | | | |
| Reclassification of shares | (14) | 18,642 | (18,628) | - | - | - | - |
| **Balances as at December 31, 2017** | **1,327,113,964** | **130,898,642** | **(18,642)** | **(8,943)** | **301,506** | **409,071,379** | **1,867,357,906** |
| **Comprehensive income** | | | | | | | |
| Net income for the first quarter | - | - | - | - | - | 25,375,074 | 25,375,074 |
| Total comprehensive income for the year | - | - | - | - | - | 25,375,074 | 25,375,074 |
| **Balances as at March 31, 2018** | **P1,327,113,964** | **P130,898,642** | **P(18,642)** | **P(8,943)** | **P301,506** | **P 434,446,453** | **P 1,892,732,980** |

**IRC Properties, Inc. and Subsidiary**

Consolidated Statements of Cash Flows
For the three-months period ended March 31, 2018 and 2017
And for the year ended December 31, 2017
(All amounts in Philippine Peso)

| | Notes | March | | December 31 |
|---|---|---|---|---|
| | | **2018** | 2017 | 2017 |
| | | **(UNAUDITED)** | (UNAUDITED) | (AUDITED) |
| **Cash flows from operating activities** | | | | |
| Income before income tax | | **P 30,838,676** | P5,056,167 | P29,636,653 |
| Adjustments for: | | | | |
| Input value-added taxes (VAT) write-off | 16 | | | 2,583,950 |
| Loss on relinquishment of investment property | | | | 1,182,929 |
| Retirement benefit expense | | **3,244,531** | | 978,123 |
| Depreciation | 9 | **225,421** | 221,601 | 897,922 |
| Amortization | 10 | **20,726** | - | 64,352 |
| Provision for doubtful accounts | | **6,397,956** | - | - |
| Reversal of notes payable | | **(50,000,000)** | - | - |
| Interest income | 2 | **(4,217)** | (1,487) | (11,391) |
| Fair value gain on investment property, net | 8 | **-** | - | (31,764,573) |
| Operating income (loss) before changes in working capital | | **(9,276,907)** | 5,276,281 | 3,567,965 |
| Changes in working capital | | | | |
| Receivables | | **(3,490,703)** | (6,128,119) | (14,793,171) |
| Properties held for sale and development | | **5,156,666** | 1,515,568 | 26,284,502 |
| Prepayments and other current assets | | **(1,051,549)** | 156,929 | (9,729,556) |
| Other assets | | **-** | (87,952) | (579,185) |
| Accounts payable and accrued expenses | | **5,644,758** | (68,625,920 | 13,432,828 |
| Cash generated from (absorbed by) operations | | **(3,017,735)** | (67,893,213) | 18,183,383 |
| Interest received | 2 | **4,217** | 1,487 | 11,391 |
| Settlement of clearing costs | 12 | **(2,123,918)** | - | (10,555,672) |
| Net cash provided by (used in) operating activities | | **(5,137,436)** | (67,891,726) | 7,639,102 |
| **Cash flows from investing activities** | | | | |
| Proceeds from relinquishment of investment property | | **-** | (5,977,202) | 1,116,071 |
| Payment for acquisition of computer software | 10 | **-** | | (95,774) |
| Payment for acquisition of property and equipment | 9 | **-** | (19,046) | (182,202) |
| Net cash provided by (used in) investing activities | | **-** | (5,996,248) | 838,095 |
| **Cash flows from financing activities** | | | | |
| Proceeds from borrowings | 13 | **30,000,000** | 58,325,481 | 56,700,000 |
| Settlement of borrowings | | **(4,514,410)** | - | (75,519,141) |
| Interest paid for borrowings | | **(6,899,704)** | - | (11,584,857) |
| Net cash provided by (used in) financing activities | | **18,585,886** | 58,325,481 | (30,403,998) |
| **Net increase (decrease) in cash for the period** | | **13,448,450** | (15,562,493) | (21,926,801) |
| **Cash as at January 1** | | **1,908,897** | 23,835,698 | 23,835,698 |
| **Cash as at December 31** | 2 | **P15,357,347** | P8,273,205 | P1,908,897 |

**IRC PROPERTIES, INC. AND SUBSIDIARY**

**AGING OF ACCOUNTS RECEIVABLE**

**As of March 31, 2018**

| | Amount | 1-30 days | Over 30 days | Over 60 days | Over 90 days |
|---|---|---|---|---|---|
| Receivable from Amaia | 10,765,986 | | | | 10,765,986 |
| Receivable from HDMF | 20,269,808 | | | | 20,269,808 |
| Advances to M. Carsula | 1,417,341 | | | | 1,417,341 |
| Advances to officer/ employees | 643,768 | | | | 643,768 |
| Refundable cash bond | 971,820 | | | | 971,820 |
| Advances to affiliates | 68,759 | | | | 68,759 |
| Other Receivable | 2,831,500 | 920,011 | 1,250,600 | | 660,889 |
| Advances for liquidation | 1,373,044 | 71,948 | 87,188 | 507,202 | 706,706 |
| Advances to CLTSJLO | 140,000 | | | | 140,000 |
| Advances to VGP Const | 22,200,000 | | | | 22,200,000 |
| Advances to Greenroof Corp | 25,117,941 | | | | 25,117,941 |
| **TOTAL ACCOUNTS RECEIVABLE** | **85,799,967** | **991,959** | **1,337,788** | **507,202** | **82,963,018** |

# IRC PROPERTIES, INC. AND SUBSIDIARY
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 - Corporate Information

IRC Properties, Inc. (the "Parent Company") and Interport Development Corporation (IDC) (the "Subsidiary") (collectively referred to as the "Group") were incorporated in the Philippines on February 24, 1975 and December 21, 1993, respectively. The Parent Company is primarily involved in the acquisition, reclamation, development, or exploitation of lands for the purpose of converting and developing said lands to integrated residential or commercial neighborhoods, and generally to engage in real estate business in all its forms. IDC is primarily involved in the acquisition and selling of real estate of all kinds or to hold such properties for investment purposes.

The Parent Company is 29.62% (2016 - 28.44%) both directly and indirectly, owned by Mabuhay Holdings Corporation (MHC). The remaining interest is owned by various corporate and individual shareholders. The Parent Company became a public company through an initial public offering on February 27, 1978. There are no other offerings made other than new shares issued arising from stock rights offering in 2010.

In 2013, the Group entered into joint development agreements with two local real estate developers to develop a certain portion of clean Binangonan properties. Moreover, the Group is actively in the process of clearing and re-titling the large portion of the property in Binangonan for future developments (Notes 7 and 8).

On July 9, 2015, the Group entered into a joint development agreement with a foreign investor for the development of a four-hectare housing project, the Group's third residential development within its Binangonan property.

On May 19, 2016, the Group's negotiations with a leading local real estate developer relative to the acquisition of a portion of the 2,200-hectare Binangonan lot materialized. The Group believes that the entry of this leading local real estate developer will jumpstart the development of a new mixed-use community south of Metro Manila.

In 2017, the Group started the development of its fourth residential project located in the Binangonan property.

The Group deferred its development of the Eastridge project (Trocadero Residences), a mix of condominium and townhouses within a 1.34-hectare property in its Binangonan property adjacent to Thunderbird Resort and Casino and the 18-hole Eastridge Golf Club.

As at March 31, 2018 and December 31, 2017, 138.30 hectares are ready for immediate development.

The Group's management believes that on-going developments will provide for additional funds that will finance other planned developments that are currently in place.

The registered office of the Group and its principal place of business is at 35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. As at March 31, 2018, the Group has 24 regular employees (December 31, 2017 - 24 regular employees). The administrative functions of the subsidiary are handled by the Parent Company's management.

The Parent Company has its primary listing on the Philippine Stock Exchange (PSE). As at March 31, 2018, the Parent Company has 553 shareholders (December 31, 2017 - 508 shareholders), each owning at least 100 shares.

**Note 2 - Cash**

The account consists of:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Cash in banks | **P 15,138,347** | P 1,729,897 |
| Cash on hand | **219,000** | 179,000 |
| | **P 15,357,347** | P 1,908,897 |

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned from bank deposits for the quarter ended March 31, 2018 amounted to P 4,217 (2017 - P11,391; 2016 - P37,596).

**Note 3 - Receivables, net**

The account consists of:

| | Note | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|---|
| Receivables from subcontractors | | **P 48,690,985** | P 46,860,884 |
| Receivables from sale of land for development and real properties held for sale and development | 7 | **33,424,955** | 32,715,975 |
| Advances to officers and employees | | **643,768** | 704,929 |
| Others | | **3,040,260** | 2,027,477 |
| | | **85,799,968** | 82,309,265 |
| Provision for doubtful accounts | | **(8,397,956)** | (2,000,000) |
| | | **P 77,402,012** | P 80,309,265 |

Receivables from subcontractors include advances extended to third parties and are expected to be collected within 12 months.

**Note 4 - Available-for-sale financial assets**

Available-for-sale financial assets as at March 31, 2018 and December 31, 2017 consist of:

| | |
|---|---|
| Unlisted | P 626,443 |
| Listed | 2,880 |
| Total | 629,323 |
| Cumulative fair value adjustment | (8,943) |
| | P 620,380 |

Listed available-for-sale financial assets pertain to an insignificant number of equity shares held in a publicly listed universal bank and domestic manufacturing corporation (Level 1), fair value of which is based on the quoted market prices. Unlisted available-for-sale financial assets pertain to club proprietary shares (Level 2). The fair value of unlisted proprietary shares was determined by obtaining quoted market prices or executable dealer quotes for identical or similar instruments in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

There were no purchases and disposals of available-for-sale financial assets for the quarter ended March 31, 2018 and years ended December 31, 2017 and 2016. There were also no changes in the fair values of the available-for-sale financial assets for the quarter ended and years then ended.

**Note 5 - Prepayments and other current assets**

The account consists of:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Prepaid taxes | **21,768,815** | P 21,146,056 |
| Advances to subcontractors | **16,700,000** | 16,700,000 |
| Input VAT | **1,797,458** | 1,479,826 |
| Prepaid insurance | **302,735** | 191,576 |
| Others | **426,881** | 426,882 |
| | **40,995,889** | P 39,944,340 |

Prepaid taxes represent creditable withholding taxes and prior year excess credits, which can be applied against future income tax liabilities.

Advances to subcontractors comprise of payments made by the Group relating to services, materials and supplies needed to complete a project. These are expected to be liquidated within a period of less than 12 months.

**Note 6 - Funds held by custodian bank**

The account represents restricted fund from the proceeds of the Group's cancelled stock rights offering in 1996, which was deposited with a local custodian bank. The local custodian bank is responsible for monitoring withdrawals or disbursements from the funds, and ensuring that all withdrawals and orders for payment made are in connection with, or relating to, any of the purposes specified in the work program submitted by the Group to the SEC in connection with the stock rights offering (Note 14).

The account consists of:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Special savings deposit | **P 16,356,000** | P 16,356,000 |
| Receivables | **66,333** | 66,333 |
| Demand deposit | **10,416** | 10,416 |
| Payables | **(64,687)** | (64,687) |
| | **P 16,368,062** | P 16,368,062 |

Following SEC's order to refund the money, the proceeds have been presented as liability in the consolidated statement of financial position. The Group does not have legal right to defer payment beyond one year for any claims received, hence, the amount was presented as current liability.

**Note 7 - Land held for development and real properties held for sale and development**

Details of land held for development and its movements are as follows:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Beginning | **P 984,669,499** | P 991,479,498 |
| Additions, including capitalized interest | **11,824,998** | 83,919,141 |
| Transferred to completed jobs and cost of sales | **-** | (90,729,140) |
| Ending | **P 996,494,497** | P 984,669,499 |

Total borrowing costs capitalized as land held for development for the quarter ended March 31, 2018 amounted to P2.5 million (2017 – P2.27 million; 2016 - nil).

Details of real properties held for sale and development and its movements are as follows:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Beginning | P 38,814,696 | P 57,397,127 |
| Transferred from land held for development | - | 90,729,140 |
| Cost of sales | (16,752,636) | (109,311,571) |
| Ending | P22,062,060 | P 38,814,696 |

**Note 8 - Investment property**

Details of investment property and their movements are as follows:

| | Note | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|---|
| Beginning | | **P 2,487,484,670** | P 2,346,783,670 |
| Fair value gain | | **-** | 31,764,573 |
| Clearing costs on additional recoverable hectares | 12 | **-** | 39,000,000 |
| Clearing cost adjustment | 12 | **-** | 40,925,208 |
| Additions, including capitalized interest | | **7,008,996** | 31,310,219 |
| Disposals | | **-** | (2,299,000) |
| Ending | | **P 2,494,493,668** | P 2,487,484,670 |

Except for the transactions reported in the consolidated statement of cash flows, the other movements in the account are non-cash transactions.

**Note 9 - Property and equipment, net**

Details of property and equipment and its movement are as follows:

| | Office equipment | Furniture and fixtures | Transportation equipment | Communication equipment | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| January 1, 2017 | P 2,869,083 | P 2,476,518 | P 3,083,865 | P 220,135 | P 8,649,601 |
| Additions | 150,956 | 20,535 | - | 10,711 | 182,202 |
| December 31, 2017 | 3,020,039 | 2,497,053 | 3,083,865 | 230,846 | 8,831,803 |
| Additions | - | - | - | - | - |
| March 31, 2018 | **3,020,039** | **2,497,053** | **3,083,865** | **230,846** | **8,831,803** |
| Accumulated depreciation | | | | | |
| January 1, 2017 | 2,295,969 | 2,160,708 | 1,458,790 | 204,257 | 6,119,724 |
| Depreciation | 271,869 | 80,010 | 539,099 | 6,944 | 897,922 |
| December 31, 2017 | 2,567,838 | 2,240,718 | 1,997,889 | 211,201 | 7,017,646 |
| Depreciation | 68,561 | 20,002 | 134,775 | 2,083 | 225,421 |
| March 31, 2018 | **2,636,399** | **2,260,720** | **2,132,664** | **213,284** | **7,243,067** |
| Net book value | | | | | |
| December 31, 2017 | 452,201 | 256,335 | 1,085,976 | 19,645 | 1,814,157 |
| March 31, 2018 | **P 383,640** | **P 236,333** | **P 951,201** | **P 17,562** | **P 1,588,736** |

As at March 31, 2018 and December 31, 2017, fully depreciated property and equipment with cost of P4.85 million are still in use.

**Note 10 - Other assets**

Other assets consist of:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Refundable deposits | **P 1,586,948** | 1,586,948 |
| Computer software, net | **81,644** | 102,370 |
| Other assets | **62,050** | 62,050 |
| | **P 1,730,642** | 1,751,368 |

The movements of computer software are as follows:

| | Note | Computer software |
|---|---|---|
| Cost | | |
| January 1, 2017 | | P 383,972 |
| Additions | | 95,774 |
| December 31, 2017 | | 479,746 |
| Additions | | - |
| March 31, 2018 | | **479,746** |
| Accumulated amortization | | |
| January 1, 2017 | | 313,024 |
| Amortization | 16 | 64,352 |
| December 31, 2017 | | 377,376 |
| Amortization | 16 | 20,726 |
| March 31, 2018 | | **398,102** |
| Net book value | | |
| December 31, 2017 | | 102,370 |
| March 31, 2018 | | **P 81,664** |

**Note 11 - Accounts payable and accrued expenses**

Accounts payable and accrued expenses consist of:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Accounts payable | **P 18,510,822** | P 15,223,135 |
| Retention payable | **6,044,785** | 5,726,046 |
| Accrued expenses and other payables | | |
| Interest, penalties and related charges | **53,095,088** | 52,547,964 |
| Customer's deposits | **34,507,660** | 31,410,205 |
| Real property taxes | **27,139,706** | 27,139,706 |
| Rent | **3,999,084** | 3,999,084 |
| Salaries, wages and benefits | **260,470** | 263,167 |
| Others | **8,533,857** | 9,799,085 |
| | **P 152,091,472** | P 146,108,392 |

Interest, penalties and related charges for borrowings from related parties amounted to P51.45 million (2017 - P50.27 million).

**Note 12 - Provision for clearing costs**

The movements in provision for clearing costs are as follows:

| | Note | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|---|
| Beginning | | **P 920,180,309** | P 850,810,773 |
| Additions | 8 | **-** | 39,000,000 |
| Adjustment to reflect latest estimate, net of discounting | 8 | **-** | 40,925,208 |
| Payments | | **(2,123,918)** | (10,555,672) |
| Ending | | **P 918,056,391** | P 920,180,309 |

**Note 13 - Borrowings**

Borrowings consist of:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Related parties | | |
| MHC | **P 119,993,378** | P 119,993,378 |
| T&M Holdings, Inc. (TMHI) | **15,500,000** | 15,500,000 |
| Tagaytay Properties and Holdings Corporation (TPHC) | **3,500,000** | 3,500,000 |
| Total | **138,993,378** | 138,993,378 |
| Third parties | **98,410,319** | 122,924,729 |
| | **P 237,403,697** | P 261,918,107 |

Portion of loan from third parties arising from reacquisition of land in Binangonan, Rizal was cancelled. The reversal of the related notes payable was recognized as income during the first quarter.

The borrowings from related parties are unsecured with no definite payment terms and bear interest from 12% to 18% per annum.

The movements in borrowings and net debt reconciliation are as follows:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Beginning | **P 261,918,107** | P 280,737,248 |
| Cash flow changes | | |
| Availments | **30,000,000** | 56,700,000 |
| Payments | **(54,514,410)** | (75,519,141) |
| Ending | **237,403,697** | 261,918,107 |
| Cash | **(15,357,347)** | (1,908,897) |
| Net debt | **P 222,046,350** | P 260,009,210 |

The total availments in 2018 of P30 million pertain to borrowings from third parties. Of total payments in 2018, P4.5 million pertains to payments made to third parties.

**Note 14 - Share capital; Earnings per share**

*(a) Share capital and share premium*

Authorized capital and issued shares outstanding consist of:

| | Authorized | | Issued | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| *2018* | | | | |
| Common shares with par value | | | | |
| P1 per share | **1,500,000,000** | **1,500,000,000** | **1,327,113,964** | **1,327,113,964** |
| *2017* | | | | |
| Common shares with par value | | | | |
| P1 per share | 1,500,000,000 | 1,500,000,000 | 1,327,113,964 | 1,327,113,964 |

In 2015, an increase in authorized share capital from 1,000,000,000 to 1,500,000,000 was approved by the SEC.

In 2016, the Group issued 200,000,000 shares at P1.40 per share (2015 - 127,200,800 shares at P1.40 per share) that resulted in a share premium of P80.0 million, increasing share premium to P130.88 million (2015 - P50.88 million). The proceeds from this issuance were presented under cash flows from financing activities in the consolidated statement of cash flows. There was no issuance of shares as of March 31, 2018 and December 31, 2017.

*(b) Treasury shares*

The Group acquired some of its shares of stock as a reserve for future claims of shareholders which are shown in its transfer agent's records but not in its accounts. It is the Group's policy to honor such claims and therefore, issue the said reacquired shares to shareholders upon their presentation of the original unrecorded stock certificates.

In 2017, the Group recorded reclassifications from share capital and share premium to treasury shares to align with the records maintained by the stock transfer agent. Due to impracticability and materiality, this was adjusted prospectively. This transaction did not generate any cash flow. No material transactions occurred during the first quarter of 2018.

*(c) Earnings per share*

Basic and diluted earnings per share, which are the same due to absence of dilutive potential common shares, for the quarter ended March 31, 2018 and for the years ended December 31, 2017 and 2016 are as follows:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) | December 31, 2016 (AUDITED) |
|---|---|---|---|
| Net income for the year | **P 25,375,074** | P 22,956,195 | P 73,820,446 |
| Weighted average number of shares outstanding | **1,327,095,322** | 1,327,113,971 | 1,227,113,978 |
| Earnings per share | **0.02** | 0.02 | 0.06 |

*(d) Liability for refund of stock rights subscription*

On February 19, 1996, the SEC approved the Group's application for the issuance of 40 billion shares, by way of stock rights offering, at an offer price of P0.012 per share. The Group commenced its stock rights offering on March 31, 1997. However, on July 15, 1997, the SEC revoked the Certificate of Permit to Sell Securities and ordered the Group and its custodian bank to immediately return to subscribers the proceeds from the rights offering currently held in escrow (Note 6). The proceeds from the offering, which remained unclaimed by the subscribers, are shown as "Liability for refund of stock rights subscription" in the current liabilities section of the consolidated statement of financial position.

**Note 15 - Salaries, wages and employee benefits**

Details of salaries, wages and employee benefits are as follows:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) | December 31, 2016 (AUDITED) |
|---|---|---|---|
| Salaries and wages | **P 1,924,231** | P 7,073,411 | P 6,659,102 |
| Bonus and allowances | **667,663** | 1,930,029 | 2,197,907 |
| Separation pay | **-** | 600,000 | - |
| SSS, Philhealth and HDMF | **110,174** | 390,052 | 286,902 |
| | **P 2,702,068** | P 9,993,492 | P 9,143,911 |

**Note 16 - Other expenses**

Details of other expenses are as follows:

| | Note | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) | December 31, 2016 (AUDITED) |
|---|---|---|---|---|
| Input VAT write-off | | **603,241** | P 2,583,950 | P 436,300 |
| Gasoline, oil and parking | | **335,504** | 1,104,730 | 955,659 |
| Medical | | **567,573** | 898,273 | 455,140 |
| Transportation and travel | | **128,135** | 717,820 | 165,311 |
| Light and water | | **384,087** | 709,818 | 293,905 |
| Personnel | | **238,723** | 647,384 | 315,652 |
| Repairs and maintenance | | **79,379** | 546,355 | 459,172 |
| Dues and subscription | | **104,459** | 432,130 | 384,940 |
| Communication | | **129,127** | 222,433 | 216,193 |
| Meals | | **59,913** | 354,660 | 345,666 |
| Amortization | 10 | **20,726** | 64,352 | 33,151 |
| Marketing | | **19,388** | 63,678 | 308,295 |
| Foreign exchange loss, net | | **-** | 50,334 | 199,456 |
| Representation | | **3,893,962** | - | 48,026 |
| Miscellaneous | | **478,914** | 638,751 | 541,121 |
| | | **P 7,043,129** | P 9,034,668 | P 5,157,987 |

**Note 17 - Related party transaction**

In the normal course of business, the Company has transactions with its major shareholders and related parties under common control. For the quarter ended March 31, 2018, major transactions with related parties pertain to payments of loan interest. Outstanding balances of loans from related parties are discussed under note 13.

## Note 18 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments 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.

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. The estimates and assumptions applied by the Group and which may cause adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding section.

### 18.1 Critical accounting estimates and assumptions

*Estimate of fair value of investment property (Note 8)*

The Parent Company's Binangonan property has an estimated market value of P1,100 per square meter as at March 31, 2018 and December 31, 2017 based on the following significant assumptions used by the independent appraiser:

- current prices in an active market for properties of similar nature, condition or location, adjusted to reflect possible differences; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The fair value of the investment properties was determined using the sales comparison approach. This was a comparative approach that considered the sales of similar or substitute properties and related market data, which may also consider current listings and offerings. The valuation of the investment properties was categorized as Level 3 measurement as it utilized adjusted inputs for valuation that were, for the major part, unobservable as at the date of valuation.

### 18.2 Critical accounting judgments

(a) Recognition of deferred income tax assets

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

(b) Investment property (Note 8)/Estimate of clearing costs (Note 12)

As discussed in Note 8, the Supreme Court affirmed the validity of the Group's titles over its 2,200-hectares Binangonan property. However, due to a number of factors, including the recognition of Supreme Court's recognition of the superior rights of the bonafide occupants as well as potential challenges in clearing and re-titling of this large area of land, management has estimated that only 513 hectares are expected to be recovered/cleared and re-titled in the name of the Group as at March 31, 2018 (2017 - 513 hectares). This estimate is assessed at regular intervals of one (1) to three (3) years based on independent contractor's and the Group's interaction with current occupants.

Given the above, management has estimated total clearing and re-titling costs to be approximately P918 million as at March 31, 2018 (2017 - P920.18 million). This estimate is based on the assumption that clearing activities will be carried out by the contractor and the Group. The outstanding provisions do not include re-titled lots which have already been reclassified to land held for development in the consolidated statement of financial position.

Such cost estimates reflect the net present value using a pre-tax rate of 6% which management assessed as reflective of current market assessments of the time value of money and the risks specific to the liability. Each year, the provision is reviewed for any change in estimate and consider accretion of discount, if any.

(c) Joint arrangements

Management enters into joint arrangements for the development of its properties. Per contractual agreements, the Group's contribution on the joint arrangements is limited only to the value of the land and any obligations related to development are on the account of the counterparty in the joint operations. The joint arrangement is not structured through a separate vehicle and the Group has direct access to the arrangements' assets and obligations for liabilities. As such, the arrangement is classified as joint operations.

(d) Impairment of receivables

The provision for impairment of receivables is based on the Group's assessment of the collectability of payments from its debtors. This assessment requires judgment regarding the ability of the debtors to pay the amounts owed to the Group and the outcome of any disputes. Any change in the Group's assessment of the collectability of receivables could significantly impact the calculation of such provision and results of its financial performance. Total receivables subjected to this assessment are shown in Note 3.

Allowance for doubtful accounts as at March 31, 2018 and December 31, 2017 amounted to P8.4 million and P2.0 million, respectively.

The carrying values of receivables as at March 31, 2018 amounted to P77.4 million (2017 - P80.31 million) (Note 3).

(e) Contingencies

The Group is currently involved in a disputed claim. Management currently believes, in consultation with its legal counsels, that the ultimate outcome of the proceeding will not have a material effect on the Group's consolidated financial statements. It is possible, however, that future results of operations could materially be affected by changes in the estimate in the final outcome of the proceeding.

## Note 19 - Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 19.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment property.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 25.

Changes in accounting policies and disclosures

*(a) New standards, amendments to existing standards and interpretations adopted*

- Amendments to PAS 7, Statement of Cash Flows (effective January 1, 2017)*,* require the Group to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. The Group may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

  The adoption of these amendments did not have significant impact on the amounts recognized by the Group in current and prior periods. The required disclosure to explain the changes in borrowings, which are classified as financing activities, are presented in Note 13.

There are no other new standards, amendments to existing standards, and interpretations which are effective for the financial year beginning on January 1, 2017, which would have a significant impact or is considered relevant to the Group's consolidated financial statements.

*(b) New standards, amendments to existing standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been early adopted nor applied by the Group in preparing these consolidated financial statements. None of these standards are expected to have significant effect on the consolidated financial statements of the Group, while the most relevant ones are set out below:

- PFRS 9, Financial Instruments (effective January 1, 2018), deals with the classification, measurement, and impairment of financial instruments, as well as hedge accounting. PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39, Financial Instruments: Recognition and Measurement, with a single model that has three (3) classification categories: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Classification under PFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income.

  The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39. The expected impact would be a certain of percentage of the accounts that are past due but not impaired as at March 31, 2018.

  The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges. The Group had no hedging activities as at March 31, 2018.

- PFRS 15, Revenue from Contracts with Customers (effective January 1, 2018), deals with revenue recognition and establishes principles for reporting useful information to users of consolidated financial

statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and, thus has the ability to direct the use and obtain the benefits from the good or service. Under the new standard, the notion of control replaces the existing notion of risks and rewards.

The standard replaces PAS 18, Revenue, and PAS 11, Construction Contracts, and related interpretations. A five-step process must be applied before revenue can be recognized which include: (i) identification of contracts with customers; (ii) identification of the separate performance obligation; (iii) determination of the transaction price of the contract; (iv) allocation of the transaction price to each of the separate performance obligations; and (v) recognition of revenue as each performance obligation is satisfied. Revenue may also be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) - minimum amounts must be recognized if these are not at significant risk of reversal.

Further, the point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.

- PFRS 16, Leases (effective January 1, 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Earlier application is permitted, but only in conjunction with PFRS 15.

  In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). Based on its current contracts which are short-term, the Group does not foresee any significant effect on the consolidated financial statements but will continue to assess the impact of PFRS 16 closer to the date of mandatory adoption.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Parent Company and IDC, a wholly-owned subsidiary, as at March 31, 2018 and December 31, 2017 and for the quarter ended March 31, 2018 and year ended December 31, 2017. The Group uses uniform accounting policies, any difference between the Parent Company and Subsidiary are adjusted properly.

As at March 31, 2018 and December 31, 2017, IDC is the only subsidiary of the Parent Company.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company does not differ from the proportion of ordinary shares held.

The summarized financial information of the Subsidiary is as follows:

| | **March 31, 2018 (UNAUDITED)** | December 31, 2017 (AUDITED) |
|---|---|---|
| Total current assets | P 49,507,147 | P 49,507,147 |
| Total current liabilities | 1,883,294 | 1,883,294 |
| Net assets | P 47,623,853 | P 47,623,853 |
| Expenses | - | 40,484 |
| Total comprehensive loss | - | (40,484) |

The Subsidiary did not generate any cash flows for the quarter ended March 31, 2018 and year ended December 31, 2017.

*(a) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial reporting and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred,

non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

*(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions-that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

### 19.2 Cash and funds held by a custodian bank

For purpose of presentation in the consolidated statement of cash flows, cash consists of cash on hand and deposits held at call with banks. Funds that are restricted and designated for particular purpose are shown separately from cash in the consolidated statement of financial position and are classified as current or non-current depending on the expected timing of disbursements. These are stated at face value or nominal amount.

### 19.3 Financial instruments

<u>Classification</u>

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

*(a) Financial assets*

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale and financial assets at fair value through profit or loss. The Group only has financial assets classified as loans and receivables and available-for-sale financial assets as at March 31, 2018 and December 31, 2017.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. These are included in current assets, except for maturities greater than 12 months after the reporting date, in which case, these are classified as non-current assets. Loans and receivables comprise of cash (Note 19.2), receivables, including a portion of advances to subcontractors and excluding advances to officers and employees (Note 19.4), funds held by

custodian bank (Note 19.2) and refundable deposits (Note 19.5) under other assets in the consolidated statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless management intends to dispose of the financial assets within 12 months from the reporting date. The Group's investments in various listed and unlisted local entities are classified under this category.

*(b) Financial liabilities*

The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost. The Group does not have any financial liability designated at fair value through profit or loss as at March 31, 2018 and December 31, 2017.

Financial liabilities at amortized cost pertains to issued financial instruments that are not classified or designated at fair value through profit or loss and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash.

Financial liabilities at amortized cost are included in current liabilities, except for maturities greater than 12 months after the reporting date, in which case, these are classified as non-current liabilities. The Group's accounts payable and accrued expenses (excluding government related liabilities) (Note 19.12), borrowings (Note 19.13), and liability for refund of stock rights subscription (Note 14 and 19.2) are classified under this category.

Recognition and measurement

*(a) Initial recognition and measurement*

Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets and liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

*(b) Subsequent measurement*

The Group's loans and receivables and financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value, except, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss as gains and losses from investment securities.

Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence as a result of one or more events that occurred after the initial

recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Loans and receivables

For loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables 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 of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in profit or loss. If a loans and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit or loss.

(ii) Available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of security below its cost is also evidence that the assets are impaired. If any such evidence exists 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 profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

### 19.4 Receivables

Receivables arising from regular sale of land held for development and real properties held for sale and development made in the ordinary course of business are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Other long-term receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

Receivables with average credit term of 30 to 90 days are measured at the original invoice amount (as the effect of discounting is immaterial), less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss within costs and expenses in the consolidated statement of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables.

### 19.5 Prepayments and other current assets

Prepayments and other current assets are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at the amount of cash paid, which is equal to its nominal amount. Prepayments and other current assets are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other assets are carried at cost and are included in current assets, except when the related goods or services are expected to be received and rendered more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

Prepayments in the form of unused tax credits are derecognized when the there is a legally enforceable right to offset the recognized amounts against income tax due and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Input VAT are stated at face value less provision for impairment, if any. Any allowance for unrecoverable input, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portions of the claims. Management evaluates the level of impairment provision on the basis of factors that affect the collectivity of the claim. The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

### 19.6 Land held for development; Real properties held for sale and development

Land held for development refers to land acquired exclusively for development and resale thereafter. Real properties held for sale and development include housing projects. Land held for development and real properties held for sale and development are stated at the lower of cost and net realizable value. The cost

comprises purchase price plus costs directly attributable to the acquisition of the assets including clearing, retitling, site preparation and subsequent development costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Borrowing costs associated with on-going development of these properties are capitalized during its construction/development period.

The fair value of the land transferred from investment property to land held for development account due to change in use on the property is deemed as cost for subsequent accounting. Transfers from investment property to land held for development happen when the Group comes up with a concrete plan to clear the lots and/or when the Group enters into a Memorandum of Agreement with a third party to perform retitling and related clearing activities.

Upon disposal, the asset accounts are relieved of the pertinent costs of acquisition and improvements, and provision for decline in value (if any) and the related realized profit on sale is recognized in profit or loss.

### 19.7 Investment property

Investment property is defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

The Group's investment property, principally comprising of properties in Binangonan, Rizal are held for capital appreciation and is not occupied by the Group. The Group has adopted the fair value model for its investment property (Note 8).

After initial recognition, investment property is carried at fair value as determined by an independent firm of appraisers. Fair value is based on market data approach, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the independent appraiser. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. On a regular basis, an estimate of the recoverable or clearable area over the Group's 2,200-hectare property is done by an independent contractor. An increment in the recoverable area is recognized at fair value, with a consequent provision for estimated clearing costs.

Subsequent expenditure (i.e. provision for clearing costs) is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Changes in fair values are recognized in profit or loss.

An investment property is derecognized from the consolidated statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 19.9), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

Property that is being constructed or developed for future use as investment property is classified as investment property.

### 19.8 Investments in other entities

The Group has applied PFRS 11, Joint Arrangements, to all joint arrangements effective January 1, 2013 and has applied accounting retrospectively. Under PFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor.

The Group has entered into joint arrangement agreements with third parties to develop a portion of its land located in Binangonan, Rizal. Under the terms of the agreement, the Group will contribute lots, construction and development to the joint arrangements. The Group recognizes revenue based on the sales of the pre-determined lots assigned in accordance with the provisions of the agreement.

The Group has assessed the nature of its joint arrangement and determined it to be joint operations.

The Group classifies the land contributed in accordance with PAS 2, Inventories.

The contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding revenues and obligations for the corresponding expenses.

### 19.9 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful life of five (5) years for all classes of property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

### 19.10 Impairment of non-financial assets

Assets that have an indefinite useful life, such as investment in a subsidiary, are not subject to depreciation and amortization and are tested annually for impairment.

Assets that have definite useful life are subject to depreciation and amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are

separately identifiable cash flows (cash-generating units). Non-financial assets that are impaired are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in profit or loss.

### 19.11 Fair value measurement

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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyzes the movements in the values of assets and liabilities, which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

*(a) Financial instruments*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual

and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. The Group's unlisted available-for-sale financial assets are included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. There are no financial instruments that fall under the Level 3 category. There were no transfers from one category to another in 2016 and 2015.

*(b) Non-financial assets or liabilities*

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

### 19.12 Accounts payable and accrued expenses

Accounts payable and accrued expenses are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. Accounts payable and accrued expenses are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payables and accrued expenses are measured at the original invoice amount (as the effect of discounting is immaterial). Other relevant policies are discussed in Note 19.3.

### 19.13 Borrowings and borrowing costs

Borrowings (notes payable) are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### 19.14 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates based on existing laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when the related bases are realized or when it is no longer realizable.

### 19.15 Employee benefits

*(a) Retirement benefits*

The Parent Company is subject to the provisions of Republic Act No. 7641 (known as the Retirement Law). This Act requires that in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a private entity, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. This falls within the definition of a defined benefit retirement plan.

A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided to an employee upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, if any.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement benefit liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited as 'remeasurements' to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in retirement benefit expense in profit or loss.

*(b) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value. The related liability is derecognized when the obligation is discharged or cancelled.

*(c) Short-term employee benefits*

Wages, salaries, paid annual vacation and sick leave credits and other non-monetary benefits are accrued during the period in which the related services are rendered by employees of the Group. Short-term employee benefit obligations are measured on an undiscounted basis.

### 19.16 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 has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision for clearing costs represents the Group's expected cost to clear a portion of its Binangonan property from bonafide occupants with superior rights over the Group's investment property (Note 12). The amount is based on the average estimated clearing and titling cost per agreement with the contractor. Such amount represents the peso value quoted by the contractor based on recoverable area and is adjusted regularly to reflect the net present value of obligation associated with clearing of land titles.

When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

Provisions are derecognized when the obligation is settled, cancelled or has expired.

### 19.17 Share capital

*(a) Share capital*

Share capital, which are stated at par value, are classified as equity.

Issuance of new shares as a result of options, rights and warrants are shown in equity as an addition to the balance of share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from issuance of shares over the par value of shares or additional capital contributions in which no shares were issued are credited to additional paid-in capital.

*(b) Treasury shares*

Where any member of the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

*(c) Retained earnings*

Retained earnings include current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any. Retained earnings also include the effect of changes in accounting policy as may be required by the relevant standards' transitional provisions on their initial adoption.

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's separate financial statements in the period in which the dividends are approved by the Group's Board of Directors.

*(d) Stock rights offering*

An issue of rights to existing shareholders of the Group that entitles them to purchase additional shares in proportion to their existing holdings, within a fixed time period, at a lower or discounted price to preserve the percentage ownership of the current holders.

Liability for stock rights subscriptions is derecognized once settled.

### 19.18 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive potential common shares.

### 19.19 Revenue and expense recognition

Revenue is recognized at fair value of the consideration received or receivable for the sale of real estate in the ordinary course of the Group's activities.
The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the Group and specific criteria have been met for each of its activities as described below.

*(a) Sales of real estate and cost of sales*

Revenue is recognized when the substantial risks and rewards are transferred to the buyer which coincides with actual delivery of title and/or when the right of exclusive use is conveyed to the buyer.
For properties sold through a financing agreement with Pag-IBIG under the Home Development Mutual Fund (HDMF), revenue is recognized upon receipt of the approved Request for Payment (RFP) instruction from Pag-IBIG, net of discount.

Cost of sales is recognized simultaneously with revenue. Cost of sales includes cost of land allocated to the Group based on assigned lots stated in the agreement entered into with the developer and all other incidental costs incurred by the Group.

*(b) Interest income and expense*

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

Interest income on bank deposits is recognized when earned, net of final tax.

*(c) Dividend income*

Dividend income is recognized when the right to receive payment is established.

*(d) Rental income*

Operating lease payments are recognized as an income on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an income in the period in which they are earned.

*(e) Other income*

Other income is recognized when earned.

*(f) Expenses*

Expenses are recognized when incurred.

## 19.20 Leases

*(a) Group as lessor - operating lease*

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

The Group leases out a parcel of its land. Rental income is recognized in accordance with the rental income accounting policy in Note 19.19.

*(b) Group as lessee - operating lease*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 19.21 Foreign currency transactions and translation

*(a) Functional and presentation currency*

Items included in the Group's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions

and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### 19.22 Related party transactions and relationships

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprises and their key management personnel, directors, or their shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### 19.23 Operating segments

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

### 19.24 Events after the reporting date

Post year-end events 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(For the Quarter Ended March 31, 2018)

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Registrant that are incorporated to this Report by reference. Such Consolidated Financial Statements have been prepared in accordance with Philippine GAAP.

The Company is currently in the real estate development business after having shifted away from its oil exploration activities. Its concentration is in the development of its approximately 2,200 hectare property in Binangonan, Rizal. The property is titled and is registered in the name of the Company.

After its successful stock rights offering on June 2010 that generated a total amount of P400M, the Company is in full gear to undertake the development of its Binangonan Property. On August 5, 2010, IRC entered into a Joint Venture Agreement with Dreamhauz Management and Development Corporation (DMDC) for the development of a 150,000 square meter land of the Corporation in Binangonan, Rizal, into a residential subdivision called Sunshine Fiesta Subdivision.

As for Fiesta Casitas Subdivision, a joint venture project with Dell Equipment and Construction Corporation, 123 units out of 1,015 units are assigned to IRC, representing the 12% share of the company.

Design planning for Eastridge residences is on hold as prospective investors are being eyed for the project. The company is talking to a possible investor (Japanese group) to develop the condominium project.

Management believes that these projects will generate significant amount of sustainable income stream and operating cash flows to the Company. There is a huge demand for housing in the region and the property is well situated in relation to the future growth direction of the metropolis.

On February 16, 2016 IRC Properties, Inc. ("IRC") entered into a Subscription Agreement with Sigma Epsilon Fund Limited (the "Subscriber"), a corporation organized and existing under the laws of Cayman Island with principal office located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman

KY1-111, Cayman Islands, represented herein by its Director, Mr. Lee Puay Ching, hereby subscribes to Two Hundred Million common shares of IRC PROPERTIES, INC. with a par value of One Peso per share at a subscription price of P1.40 per share, or for a total subscription price of Two Hundred Eighty Million Pesos (Php 280,000,000.00).

On July 3, 2015 IRC Properties, Inc. ("IRC") entered into a Subscription Agreement with Rizal Partners Company Limited (the "Subscriber"), a corporation organized and existing under the laws of Japan with principal office located at 1-11 Kioi-cho Chiyoda-ku, Tokyo, whereby the Subscriber agreed to subscribe to One Hundred Twenty Seven Million Two Hundred Thousand (127,200,000) common shares (the "Shares") of IRC with a par value of One Peso (Php1.00) per share, at a subscription price of Php1.40 per share, or for a total subscription price of One Hundred Seventy Eight Million Eighty Thousand Pesos (Php178,080,000.00). The Shares which shall be fully paid for in cash by the Subscriber will be issued as a Private Placement to be taken out from an increase in the authorized capital stock of the Corporation as previously authorized by the stockholders and the Board of Directors of IRC.

On September 7, 2015, the Securities and Exchange Commission ("SEC") approved the Amended Articles of Incorporation to increase the capital stock from P 1,000,000,000 to P1,500,000,000 with a par value of P1.00.

On January 27, 2013, the Securities and Exchange Commission ("SEC") approved the Amended Articles of Incorporation of the Parent Company on change of corporate name from Interport Resources Corporation to IRC Properties, Inc., changes in the primary purpose and declassification of stock.

On September 10, 2013, the Company entered into a Contract to Sell with Hundred Lake Development Corporation, whereby the company agreed to sell its land located in Binangonan, Rizal, with an area of 183,729 square meters at P475/m2. The company received P75 million as down payment upon execution of the Contract to Sell and the balance of P12,271,275.00 was fully collected in 2014 upon transfer of the property to the buyer.

As at March 31, 2015, the Group's negotiations with a leading local real estate developer relative to the acquisition of a portion of the 2,000-hectare Binangonan lot have not materialized. The deal is expected to be completed this year. The Group believes that the entry of the leading local real estate developer will jumpstart the development of a new mixed-use community south of Metro Manila.

Presently, the Company has a total of 23 personnel excluding the Chairman, President and Corporate Secretary. Management intends to hire additional personnel as the need arises.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Its overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Management, under the direction of the Board of Directors is responsible for the management of financial risks. Its objective is to minimize the adverse impacts on the Company's financial performance due to the unpredictability of financial markets.

The Company's equity position is in compliance with the minimum statutory requirements applicable to public companies.

**Financial Condition**

**Interim Report (March 31, 2018)**

The Company employed total assets of P3,667,113,293 financed by total liabilities of P1,774,380,313 and total stockholders' equity of P1,892,732,980. Noncurrent assets amounted to P2,497,813,046 consisting of investment property, property and equipment (net of accumulated depreciation) and other assets. Current assets stood at P1,169,300,247.

**Results of Operation**

A comparative review of the Company's financial operations for the quarter ended March 31, 2018 *vis-à-vis* the same period last year showed the following:

The significant increase of P24.2 million or 47.5% in total revenue was due to the cancellation and subsequent reversal of the P50 million notes payable to PrimeEast recognized as income. The effect of the P50 million reversal was reduced by the decrease in Real Estate sales due to the lower number of units sold for the period (23 units) as compared to last year (69 units). Total cost and expenses increased by P0.6 million from P43.7 million mainly because of the recognition of provision for doubtful accounts and retirement benefit expense.

**Material changes (March 31, 2018 vs. December 31, 2017)**

**Cash** increased by P13.4 million or 705% mainly due to loan availments from Yuanta Savings Bank amounting to P 30 million.

**Real properties held for sale and development** decreased by P16.7 million or 43% due to sales of twenty-three (23) units during the first quarter of 2018.

**Property and equipment** decreased by P0.2 million or 12% due to depreciation expense.

**Current portion of borrowings** decreased by P22.4 million or 10% due to reversal of notes payable related to PrimeEast Properties, Inc.

**Retirement benefit obligation** increased by P3.2 million or 66% due to retirement benefit expense established for the first quarter of 2018.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

**Discussion of Material Events/Uncertainties Known to Management that would Address the Past and Impact on Future Operations**

a. The Company's capital expenditures commitments are land clearing cost and the Casas Aurora Project. It is not under any pressing obligation to pay its advances to affiliates. The Company has enough resources to cover payment of liabilities through the sale of some of its properties.

b. The Management does not foresee any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

c. The Company does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships with unconsolidated entities or other persons created during the reporting period.

d. The Management is not aware of any known trends, demands, commitments, events or uncertainties that have had or that are reasonably expected to have a material favourable or unfavourable impact on the company's liquidity, net sales or revenues or income from continuing operations.

e. The Company does not have any significant elements of income or loss that did not arise from the company's continuing operations.

**REGISTRANT'S COMPARATIVE FINANCIAL SOUNDNESS INDICATORS**

| | Mar 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|---|---|
| Working Capital | 702,484,519 | 677,193,052 | 727,226,606 | 424,872,987 |
| Current Ratio | 2.505 | 2.395 | 2.580 | 1.594 |
| Quick Ratio | .235 | .204 | .230 | .134 |
| Asset to Equity Ratio | 1.937 | 1.957 | 1.919 | 2.160 |
| Debt to Assets Ratio | .484 | .489 | .480 | .537 |
| Debt to Equity Ratio | .937 | .957 | .919 | 1.160 |
| Gross Profit Margin | .331 | .331 | .378 | .770 |
| Operating Profit Margin | .410 | .150 | .460 | .535 |
| Net Profit Margin | .337 | .117 | .328 | .321 |
| Return on Assets | .007 | .006 | .021 | .008 |
| Return on Equity | .013 | .012 | .040 | .019 |
| Interest Coverage Ratio | -nil- | -nil- | -nil- | -nil- |

**Current/ Liquidity Ratios** - shows the ability of the company to pay off its debts over the next year.

*Working Capital*- computed as current assets minus current liabilities.

*Current Ratio*- computed as current assets divided by current liabilities.

*Quick Ratio*- computed as current assets minus prepayments and land held for development divided by current liabilities.

**Solvency Ratios** - measure the company's ability to pay all debts, particularly long-term debts.

*Debt to Equity* - computed as total liabilities divided by total equity.

*Debt to Assets* - computed as total liabilities divided by total assets.

**Asset to Equity Ratio** - measures financial leverage and long- term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

**Interest Coverage Ratio** - measures the company's ability to pay its interest charges. It is computed as income before income tax and interest expense divided by interest payments.

**Profitability Ratios**

*Gross Profit Margin*- shows how much of the company's revenue remains after the cost of sales. It is computed as gross profit divided by sales.

*Operating Profit Margin*- measures the amount of money that remains after paying sales and operating expenses. It is computed as earnings before taxes and interest divided by sales.

*Net Profit Margin*- shows the money remaining after paying all expenses. It is computed as net profit divided by sales.

*Return on Assets*- measures how effectively the company uses its assets to create revenue. It is computed as net income divided by total assets.

*Return on Equity*- measures how much money the company have earned on its investment. It is computed as net income divided by stockholders' equity.

**REPORT ON SEC FORM 17-C:**

| Date | Particulars |
| --- | --- |
| January 11, 2018 | List of Top 100 Stockholders |

## PART II – OTHER INFORMATION

## ITEM 4 - NON-APPLICABILITY OF OTHER SEC-REQUIRED NOTES

Notes required to be disclosed but are not applicable to the Registrant are indicated below:

a. Assets Subject to Lien and Restrictions on Sales of Assets
b. Changes in Accounting Principles and Practices
c. Defaults
d. Preferred Shares
e. Pension and Retirement Plans
f. Restrictions which Limit the Availability of Retained Earnings for Dividend Purposes
g. Significant Changes in Bonds, Mortgages and Similar Debt
h. Registration with the Board of Investments (BOI)
i. Foreign Exchange losses Capitalized as part of Property, Plant & Equipment
j. Deferred Losses Arising from Long-Term Foreign Exchange Liabilities
k. Segment Reporting
l. Disclosure not made under SEC Form 17-C: None

## ITEM 5- RECOGNITION OF IMPACT OF THE FOLLOWING NEW STANDARDS

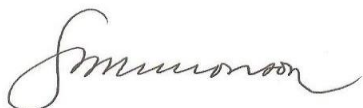
The following new standards do not have and are not expected to have a material impact on the Group's financial statements.

| | Adopted/Not adopted/ Not applicable |
| --- | --- |
| a. Separate Financial Statements PAS 27 (Amended) | Adopted |
| b. Investments in Associate and Joint Venture PAS 28 | Adopted |
| c. Government Loans (Amendments to PFRS 1) | Not applicable |
| d. Disclosure-Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7) | Adopted |
| e. Consolidated Financial Statements (PFRS 10) | Adopted |
| f. Joint Arrangements (PFRS 11) | Adopted |
| g. Disclosure of Interests in Other Entities (PFRS 12) | Adopted |
| h. Fair Value Measurement (PFRS 13) | Adopted |
| a. Financial Instruments (PFRS 9) | Not Adopted |

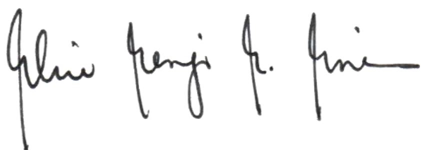
## SIGNATURES

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

**Issuer:** **IRC PROPERTIES, INC.**



**GEORGINA A. MONSOD**
President



**GLORIA GEORGIA GARCIA**
Chief Finance Officer