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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Company Name KEPPEL PHILS. HOLDINGS INC.
Industry Classification
Company Type Stock Corporation

Document Information

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K E P P E L P H I L I P P I N E S H O L D I N G S ,
I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

U N I T 3 - B C O U N T R Y S P A C E I B L D G .
1 3 3 S E N G I L P U Y A T A V E . S A L C E D O
V I L . B R G Y B E L - A I R M A K A T I C I T Y

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

Alan I. Claveria/
Felicidad V. Razon

Contact Person

892 1816

Company Telephone Number

1 2
Month

3 1
Day

SEC Form 17Q-SEPTEMBER 2018

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Month

2 2
Day

Annual Meeting

FORM TYPE

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

422 as of September 2018

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

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Cashier

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STAMPS

**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 30 September 2018
2. Commission identification number 62596
3. BIR Tax Identification No. 000-163-715-000
4. Exact name of issuer as specified in its charter
KEPPEL PHILIPPINES HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Unit 3-B, Country Space I Bldg., 133 Sen. Gil Puyat Avenue 1200
Salcedo Village, Barangay Bel-Air, Makati City
8. Issuer's telephone number, including area code
(632) 892-18-16
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 of common stock outstanding |
|---------------------|--|
| Common 'A' | 36,166,970 |
| Common 'B' | 21,636,449 |
| Total | 57,803,419 (Net of Treasury Shares of 15,370,081) |
11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes [/] No []
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
- | <u>Philippine Stock Exchange</u> | <u>Common Shares</u> |
|----------------------------------|----------------------|
| | |
12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [/] No []
- (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [/] No []

DOCUMENTS INCORPORATED BY REFERENCE

**PART 1
FINANCIAL INFORMATION**

- 1) **Financial Statements (see EXHIBIT 1)**
- 2) **Management's Discussion and Analysis of Financial Condition and Results of Operations (see EXHIBIT II)**

**PART II
OTHER INFORMATION**

Information not previously reported and made in this report in lieu of a report on SEC Form 17-C.

NONE

EXHIBIT I

**30 SEPTEMBER 2018
QUARTERLY REPORT**

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018 & DECEMBER 31, 2017
(IN PHILIPPINE PESOS)**

	Unaudited September 30 2018	Audited December 31 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 19)	₱54,549,828	₱87,943,929
Receivables – net (Notes 7, 14 and 19)	281,184,538	209,279,624
Other current assets - net (Note 8)	2,221,558	742,995
Total Current Assets	337,955,924	297,966,548
Noncurrent Assets		
Available-for-sale financial assets (Notes 9 and 19)	35,000,001	20,000,001
Investments in associates (Note 10)	419,429,902	420,435,364
Loan receivable – net of current portion (Notes 7, 14, and 19)	-	37,500,000
Lease receivables – net of current portion (Notes 7 and 14)	28,541,476	29,234,677
Investment properties – net (Note 11)	205,725,315	205,901,940
Property and equipment - net (Note 12)	117,091	134,690
Other noncurrent assets (Note 21)	4,140,710	4,140,710
Total Noncurrent Assets	692,954,495	717,347,382
TOTAL ASSETS	₱1,030,910,419	₱1,015,313,930
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	₱12,844,554	₱8,028,814
Refundable deposits	1,716,383	487,080
Income tax payable	174,248	1,093,310
Total Current Liabilities	14,735,185	9,609,204
Noncurrent Liability		
Deferred tax liability	1,459,758	1,494,418
Total Liabilities	1,459,758	1,494,418
Total Liabilities	₱16,194,943	₱11,103,622

(Forward)

	Unaudited September 30 2018	Audited December 31 2017
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 15)	₱73,173,500	₱73,173,500
Additional paid-in capital	73,203,734	73,203,734
Retained earnings (Note 16)	475,679,154	477,219,523
Unrealized gains on available-for-sale financial assets (Note 9)	34,422,058	19,422,058
Treasury shares (Note 16)	(22,622,976)	(22,622,976)
Total Equity Attributable to Equity Holders of the Parent	633,855,470	620,395,839
Noncontrolling Interests	380,860,006	383,814,469
Total Equity	1,014,715,476	1,004,210,308
TOTAL LIABILITIES AND EQUITY	₱1,030,910,419	₱1,015,313,930

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(IN PHILIPPINE PESOS)
(UNAUDITED)**

	<u>Third Quarter</u>		<u>Year To - Date</u>	
	<u>July to</u>	<u>September</u>	<u>January to</u>	<u>September</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES				
Rental income (Notes 11 and 14)	₱ 6,878,054	₱ 4,508,961	₱ 13,920,390	₱ 14,440,286
Interest income (Notes 6 and 7)	2,975,167	3,275,942	8,429,006	9,403,193
Equity in net earnings of associates (Note 10)	2,340,754	2,392,662	7,727,637	7,391,902
Management fees (Note 14)	189,000	493,500	567,000	1,510,700
Gain on sale of investment properties (Note 11)	-	20,999,897	-	39,999,893
Total Revenues	12,382,975	31,670,962	30,644,033	72,745,974
OPERATING EXPENSES (Note 17)	(8,247,832)	(5,848,047)	(18,969,271)	(16,102,322)
OTHER INCOME				
Recovery of provision	-	-	453,368	-
Director's fee	280,000	320,000	320,000	360,000
Others	25,214	39,163	74,711	137,700
Total Other Income	305,214	359,163	848,079	497,700
INCOME BEFORE INCOME TAX	4,440,357	26,182,078	12,522,841	57,141,352
PROVISION FOR INCOME TAX	(486,202)	(4,886,157)	(1,583,331)	(10,460,429)
NET INCOME	₱3,954,155	₱21,295,921	₱10,939,510	₱46,680,923
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱1,890,680	₱18,688,289	₱4,239,973	₱38,804,588
Noncontrolling interests	2,063,475	2,607,632	6,699,537	7,876,335
	₱3,954,155	₱21,295,921	₱10,939,510	₱46,680,923
EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	₱0.033	₱0.323	₱0.073	₱0.671

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(IN PHILIPPINE PESOS)
(UNAUDITED)**

	<u>Third Quarter</u>		<u>Year To - Date</u>	
	<u>July to</u>	<u>September</u>	<u>January to</u>	<u>September</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
NET INCOME	₱3,954,155	₱21,295,921	₱10,939,510	₱46,680,923
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Unrealized gain in AFS financial assets (Note 9)	-	500,000	15,000,000	500,000
TOTAL COMPREHENSIVE INCOME	₱3,954,155	₱21,795,921	₱25,939,510	₱47,180,923
ATTRIBUTABLE TO:				
Equity holders of the parent	₱1,890,680	₱19,188,289	₱19,239,973	₱39,304,588
Noncontrolling interest	2,063,475	2,607,632	6,699,537	7,876,335
NET INCOME	₱3,954,155	₱21,795,921	₱25,939,510	₱47,180,923

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)
IN PHILIPPINE PESOS

	Attributable to Equity Holders of the Parent						Noncontrolling Interests	Total Equity
	Capital Stock (Note 15)	Additional Paid in Capital	Retained Earnings (Note 16)	Available-for-Sale Financial Assets (Note 9)	Treasury Shares (Note 15 and 16)	Total		
Balance as of January 1, 2018	₱73,173,500	₱73,203,734	₱477,219,523	₱19,422,058	(₱22,622,976)	₱620,395,839	₱383,814,469	₱1,004,210,308
Net income	-	-	4,239,973	-	-	4,239,973	6,699,537	10,939,510
Net gain on available-for-sale financial assets	-	-	-	15,000,000	-	15,000,000	-	15,000,000
Total comprehensive income	-	-	4,239,973	15,000,000	-	19,239,973	6,699,537	25,939,510
Cash dividend declared	-	-	(5,780,342)	-	-	(5,780,342)	(9,654,000)	(15,434,342)
Balance as of September 30, 2018	₱73,173,500	₱73,203,734	₱475,679,154	₱34,422,058	(₱22,622,976)	₱633,855,470	₱380,860,006	₱1,014,715,476
Balance as of January 1, 2017	₱73,173,500	₱73,203,734	₱438,203,772	₱18,922,058	(₱22,622,976)	₱580,880,088	₱436,971,578	₱1,017,851,666
Net income	-	-	38,804,588	-	-	38,804,588	7,876,335	46,680,923
Net gain on available-for-sale financial assets	-	-	-	500,000	-	500,000	-	500,000
Total comprehensive income	-	-	38,804,588	500,000	-	39,304,588	7,876,335	47,180,923
Cash dividend declared	-	-	(5,780,342)	-	-	(5,780,342)	(14,963,700)	(20,744,042)
Balance as of September 30, 2017	₱73,173,500	₱73,203,734	₱471,228,018	₱19,422,058	(₱22,622,976)	₱614,404,334	₱429,884,213	₱1,044,288,547

See Accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(IN PHILIPPINE PESOS)
(UNAUDITED)

	September 30 2018	September 30 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱12,522,841	₱57,141,352
Adjustments for:		
Provision for impairment losses - (Note 8)	344,371	177,973
Depreciation (Notes 11, 12, and 17)	238,581	272,824
Provision for (Recovery of) uncollectible accounts - (Note 7)	(453,368)	289,273
Equity in net earnings of associates (Note 10)	(7,727,637)	(7,391,902)
Interest income (Notes 6, 7 and 14)	(8,429,006)	(9,403,193)
Gain on sale of investment properties (Note 11)	-	(39,999,893)
Operating income (loss) before working capital changes	(3,504,218)	1,086,434
Decrease (increase) in:		
Receivables (Notes 7, 14, and 19)	(256,500)	250,970
Other assets (Note 8)	(1,822,934)	(746,350)
Increase (decrease) in:		
Accounts payable and other current liabilities	4,815,740	6,136,717
Refundable deposits	1,229,303	(1,992,217)
Net cash generated from operations	461,391	4,735,554
Income tax paid	(2,537,053)	(8,537,554)
Net cash provided by (used in) operating activities	(2,075,662)	(3,802,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of loan receivable from related party	87,500,000	98,250,000
Cash dividends received	8,733,099	3,493,240
Interest received	7,927,161	9,611,599
Acquisition of property and equipment	(44,357)	-
Loans granted to a related party	(120,000,000)	(70,000,000)
Proceeds from sale of investment properties	-	39,999,904
Net cash provided by (used in) investing activities	(15,884,097)	81,354,743
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid to shareholders	(5,780,342)	(5,780,342)
Cash dividends paid to noncontrolling interest (Note 16)	(9,654,000)	(14,963,700)
Net cash provided by (used in) financing activities	(15,434,342)	(20,744,042)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(33,394,101)	56,808,701
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	87,943,929	24,316,162
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	₱54,549,828	₱81,124,863

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Philippine Pesos)

1. Corporate Information

Keppel Philippines Holdings, Inc. (KPHI or the Parent Company) and its subsidiaries, KPSI Property, Inc. (KPSI) and Goodwealth Realty Development Corporation (GRDC), including GRDC's subsidiary, Goodsoil Marine Realty, Inc. (GMRI) (collectively referred to as "the Group"), are incorporated in the Philippines. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 1975. The Parent Company's registered office address is Unit 3-B Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City. The Parent Company is involved in investment holding while the subsidiaries are in the real estate industry.

KPHI's shares are publicly traded in the Philippine Stock Exchange (PSE). As of September 30, 2018, and December 31, 2017, the top three (3) shareholders are the following:

	Percentage of Ownership
Kepwealth Inc.	52.8%
Keppel Corporation Limited (KCL)	29.2%
Public	18.0%

The following are the Parent Company's subsidiaries which all belong to the real estate industry:

	Percentage of Ownership
KPSI	100%
GRDC	51%
GMRI	51%

GRDC is 44% owned by Keppel Philippines Marine, Inc. Retirement Plan (KPMIRP) and 5% by Keppel Philippines Marine, Inc. (KPMI). GRDC owns 93.7% of GMRI, thus, KPHI has 51% effective ownership on GMRI, including its 3.2% separate interest in GMRI.

GMRI has 25% shareholdings in Consort Land, Inc. (CLI), providing KPHI a 13% indirect ownership in CLI.

The Parent Company and all its associates were incorporated in the Philippines.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The unaudited consolidated financial statements of the Group have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional currency. Amounts are rounded off to the nearest Philippine Peso except when otherwise indicated.

Statement of Compliance

The accompanying unaudited consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The unaudited consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. The Group uses uniform accounting policies; any difference between subsidiaries and Parent Company are adjusted properly.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Assessment of Control

The Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Noncontrolling interests (NCI) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. NCI represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statements of income and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and consolidated statement of changes in equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if it results in the NCI having a deficit balance. Acquisitions of NCI are accounted for using the acquisition method, whereby the Group considers the acquisition of NCI as an equity transaction. Any premium or discount on subsequent purchases from NCI shareholders is recognized directly in equity and attributed to the owners of the parent.

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

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

As of September 30, 2018, and December 31, 2017, NCI pertains to 44% and 5% ownership of KPMIRP and KPMI, respectively in GRDC.

The financial information of GRDC and its wholly-owned subsidiary, GMRI is provided below. This information is based on amounts before inter-company elimination.

	September 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	₱179,290	₱119,004,970	₱95,988,267	₱424,915	₱89,728,757	₱90,153,672
Noncurrent assets	3,843,282	572,143,978	588,718,327	3,843,282	606,640,134	610,483,416
Total assets	4,022,572	691,148,948	684,706,594	4,268,197	696,368,891	700,637,088
Current liabilities	688,254	349,689	1,223,858	1,252,389	367,072	1,619,461
Noncurrent liabilities	-	1,611,926	1,623,479	-	1,646,586	1,646,586
Total liabilities	688,254	1,961,615	2,847,337	1,252,389	2,013,658	3,266,047
Revenue	484,655	19,649,664	20,134,319	2,915,445	10,144,492	13,059,937
Other income	-	9,000	9,000	-	12,396,585	12,396,585
Net income (loss)	318,510	14,832,102	15,150,612	2,528,221	14,726,009	17,254,230
Total comprehensive income (loss)	318,510	14,832,102	15,150,612	2,528,221	14,726,009	17,254,230
Cash flows from:						
Operating activities	(574,189)	1,917,709	1,343,520	(2,824,159)	4,239,095	1,414,936
Investing activities	296,000	22,120,091	22,416,091	3,088,800	137,515,918	140,604,718
Financing activities	-	(20,000,000)	(20,000,000)	-	(131,000,000)	(131,000,000)
Net increase (decrease) in cash and cash equivalents	(278,189)	4,037,800	3,759,611	264,641	10,755,013	11,019,654
Accumulated balance of material NCI	-	-	380,860,006	-	-	383,814,469
Net income attributable to material NCI	-	-	6,699,537	-	-	10,076,591

There are no significant restrictions on the Group's ability to use assets or settle liabilities within the Group. There is no difference on the voting rights of non-controlling interests as compared to majority stockholders.

3. Summary of Changes in Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

(a) New interpretations and amended standards adopted by the Group

There are no new standards, amendments to existing standards, and interpretations which are effective for the financial year beginning on January 1, 2018 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, and amendments and interpretations to existing standards are effective for annual periods after January 1, 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the Group's consolidated financial statements, except as set out below:

- PFRS 9, '*Financial instruments*' (effective January 1, 2018). The Group intends to adopt the standard when becomes effective but the Group has assessed that it will not have a significant effect on its consolidated financial statements as a result of adoption of this standard as its financial instruments are limited to loans and receivables, and financial liabilities at amortized cost. Currently, the Group recognizes the change in fair value of its available-for-sale financial asset in other comprehensive income.
- PFRS 15, '*Revenue from contracts with customers*' (effective January 1, 2018). The Group intends to adopt the standard on January 1, 2018 but has assessed that it will not have a significant effect on its consolidated financial statements as a result of adoption of this standard as its revenues are mainly derived from dividends, interests, and rental income, which are all fixed in amount and the period covered is defined. Additionally, the leases are outside the scope of PFRS 15 and therefore, there will be no impact on the Group's financial statements upon its adoption.
- PFRS 16, '*Leases*' (effective January 1, 2019). The Group does not foresee any significant effect on the consolidated financial statements as it is mainly the lessor in the existing lease agreements. However, it will continue its assessment and finalize the same upon effective date of the new standard.

4. Significant Accounting Policies

The Group's disclosures on significant accounting principles and policies and practices are substantially the same with the disclosures made in December 31, 2017 audited financial statements and for the period ended September 30, 2018. Any additional disclosures on the significant changes of accounts and subsequent events are disclosed in the succeeding notes and presented in the Management Discussion and Analysis.

5. Significant Accounting Judgment, Estimates and Assumptions

The Group's unaudited consolidated financial statements prepared under PFRS require management to make judgments and estimates that affects amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the judgment and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

As of September 30, 2018, there were no judgment, seasonal or cyclical aspects that materially affect the operation of the Group, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in the estimates of amounts reported in December 31, 2017 audited financial statements, and no unusual items that materially affect the Group's assets, liabilities, equity, net income or cash flows.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited September 30 2018	Audited December 31 2017
Cash equivalents	₱48,774,167	₱82,220,201
Cash on in banks	5,770,661	5,718,728
Cash on hand	5,000	5,000
	₱54,549,828	₱87,943,929

Cash equivalents are short-term investments which are placed in financial institutions for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earned interest at annual interest that ranged from 1.75% to 3.0% during the nine-month period of 2018 and 1.375% to 1.875% in 2017. Cash in banks earn interest at the respective bank deposit rates.

Interest income on cash and cash equivalents amounted to ₱1.1 million and ₱0.5 million for the periods ended September 30, 2018 and 2017. Accrued interest receivable from cash and cash equivalents amounted to ₱0.06 million in September 30, 2018 and ₱0.08 million in December 31, 2017.

7. Receivables

This account consists of:

	Unaudited September 30 2018	Audited December 31 2017
Loan receivable from a related party (Note 14)	₱274,500,000	₱242,000,000
Lease receivables:		
Related parties	33,410,559	32,931,722
Others	414,000	707,493
	308,324,559	275,639,215
Nontrade	2,152,580	2,152,580
Interest receivable (Note 14)	1,330,299	828,454
Due from related parties (Note 14)	71,156	-
	311,878,594	278,620,249
Less noncurrent portion:		
Lease receivables (Note 14)	28,541,476	29,234,677
Loan receivable (Note 14)	-	37,500,000
	28,541,476	66,734,677
	283,337,118	211,885,572
Less provision for doubtful accounts	2,152,580	2,605,948
	₱281,184,538	₱209,279,624

The loan receivable from a related party pertains to unsecured, short-term and long-term interest-bearing loans obtained by KPMI, an entity under common control, from the Parent Company, GMRI and KPSI. (see Note 14)

Current portion of lease receivables and due from related parties are non-interest bearing and are generally 30 to 60-day terms. The noncurrent portion of lease receivables pertains to the difference in the computation of rent income using straight-line method. These amounts are expected to reverse more than one year from financial reporting date.

Non-trade receivable represents the Group's claim against a seller of a parcel of land, the title of which has not been transferred to the Group. The nontrade receivable has been outstanding for more than one year and has been provided with allowance.

Interest receivable represents the Group's accrued interest on cash and cash equivalents and from the loan receivables.

Due from related parties representing receivables relating to reimbursement of expenses, is non-interest bearing and is due and demandable.

The Parent Company recognized provision for doubtful accounts related to its third-party receivables amounting to ₱0.5 million for the year ended December 31, 2017 which was recovered in June 30, 2018. These accounts pertain to terminated lease contracts with third party customers that have history of defaults.

8. Other Current Assets - net

This account consists of:

	Unaudited September 30 2018	Audited December 31 2017
Creditable withholding taxes (CWT)	₱3,923,915	₱2,810,307
Prepaid expenses	1,268,379	12,101
Input VAT	185,400	777,498
Advances to employees	530,881	480,000
Deposits	55,645	55,645
Others	55,003	60,738
	6,019,223	4,196,289
Less allowance for impairment loss	3,797,665	3,453,294
	₱2,221,558	₱742,995

Movements in the provision for impairment related to Input VAT and CWT as follows:

Unaudited September 30, 2018	Input VAT	CWT	Total
Balance at the beginning of the period	₱642,987	₱2,810,307	₱3,453,294
Provision for the period	-	991,002	991,002
Recovery of provision	(642,987)	(3,644)	(646,631)
Net provision (recovery)	(642,987)	987,358	344,371
Balance at the end of the period	₱-	₱3,797,665	₱3,797,665

Audited December 31, 2017	Input VAT	CWT	Total
Balance at the beginning of the period	₱1,225,075	₱2,032,442	₱3,257,517
Provision for the year	288,964	1,067,113	1,356,077
Recovery of provision	(871,052)	(277,645)	(1,148,697)
Net provision (recovery)	(582,088)	789,468	207,380
Write-off	-	(11,603)	(11,603)
Balance at the end of the period	₱642,987	₱2,810,307	₱3,453,294

The Group recovered total input VAT and CWT amounting to ₱0.6 million as of September 30, 2018 and such were applied against output VAT and income tax due, respectively.

9. Available-for-Sale Financial Assets

This account consists of investments in golf club shares:

	Unaudited September 30 2018	Audited December 31 2017
Quoted share—at fair value (cost ₱577,943)	₱35,000,001	₱20,000,001
Unquoted share - at cost	880,000	880,000
	35,880,001	20,880,001
Less allowance for impairment	880,000	880,000
	₱35,000,001	₱20,000,001

The above investments represent proprietary club shares that provide the Group with opportunities for return through capital gains. These do not have fixed maturity or coupon rate and the movement is based on closing market prices obtained in an active market.

The movements in the AFS financial assets are summarized as follows:

	Unaudited September 30 2018	Audited December 31 2017
Balance at the beginning of the period	₱20,000,001	₱19,500,001
Fair value gain	15,000,000	500,000
Balance at the end of the period	₱35,000,001	₱20,000,001

The roll forward analysis of unrealized gains on AFS financial assets follows:

	Unaudited September 30 2018	Audited December 31 2017
Balance at the beginning of the period	₱19,422,058	₱18,922,058
Fair value gain	15,000,000	500,000
Balance at the end of the period	₱34,422,058	₱19,422,058

10. Investments in Associates – at equity

This account consists of:

	Unaudited September 30 2018	Audited December 31 2017
Investments in associates	₱337,596,800	₱337,596,800
Accumulated shares in net income:		
Balance at beginning of the period	82,838,564	77,589,523
Equity in net earnings of associates	7,727,637	8,742,280
Cash dividend received	(8,733,099)	(3,493,239)
Balance at end of the period	81,833,102	82,838,564
	₱419,429,902	₱420,435,364

CLI

GMRI owns 25% investment or 17,466,196 shares out of 70,000,000 shares in CLI, a company incorporated in the Philippines, as at September 30, 2018 and December 31, 2017. CLI is involved in property leasing and power sales with the same principal place of business as KPHI. The Group has 13% effective ownership in CLI.

For the periods ended September 30, 2018 and December 31, 2017, the Group's equity in net earnings of CLI amounted to ₱7.7 million and ₱8.7 million, respectively. While cash dividends received from CLI amounted to ₱8.7 million and ₱3.5 million for the periods ended September 30, 2018 and December 31, 2017, respectively.

There are no contingent liabilities relating to the Group's investments in associates.

CLI's financial information as of and for the periods ended September 30, 2018 and December 31, 2017 follows:

	Unaudited September 30 2018	Audited December 31 2017
Current assets	₱72,510,260	₱76,860,499
Noncurrent assets	255,047,183	256,491,254
Total assets	327,557,443	333,351,923
Current liabilities	23,942,269	25,647,295
Total liabilities	23,942,269	25,647,295
Net assets	303,615,174	307,704,628
Revenue	121,158,415	162,707,201
Income before income tax	33,369,483	37,899,578
Total comprehensive income	30,910,546	34,969,123

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the Group.

11. Investment Properties - net

This account consists of:

Unaudited September 30, 2018				
	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the period	₱205,666,439	₱854,751	₱3,689,178	₱210,210,368
Accumulated depreciation:				
Balance at beginning	—	619,250	3,689,178	4,308,428
Depreciation	—	176,625	—	176,625
Balance at end of the period	—	795,875	3,689,178	4,485,053
Net book value	₱205,666,439	₱58,876	₱—	₱205,725,315

Audited December 31, 2017				
	Land	Building	Condominium Units	Total
Cost:				
January 1	₱205,901,939	₱2,609,001	₱25,342,689	₱233,853,629
Disposal	(235,500)	(1,754,250)	(21,653,511)	(23,643,261)
December 31	205,666,439	854,751	3,689,178	210,210,368
Accumulated depreciation:				
January 1	—	2,135,524	22,196,617	24,332,141
Depreciation	—	48,983	235,975	284,958
Disposal	—	(1,565,257)	(18,743,414)	(20,308,671)
December 31	—	619,250	3,689,178	4,308,428
Net book value	₱205,666,439	₱235,501	₱—	₱205,901,940

In 2017, the Group sold certain land, building and improvements, and condominium units with carrying values of ₱0.2 million, ₱0.2 million, and ₱2.9 million, respectively, for a total consideration of ₱52.9 million resulting in a gain on sale amounting to ₱49.6 million.

Land, land improvement and building in Batangas are leased to related parties (Note 14) while condominium units are leased to related and third parties.

The investment properties have an aggregate fair value of ₱994.0 million based on an appraisal by an independent appraiser in November 2017. Fair value attributable to controlling interest of the Group amounts to ₱513.0 million. The fair value of the investment properties was determined using inputs such as discount rates, terminal yields, expected vacancy rates as estimated by the independent appraiser or management based on comparable transactions and industry data.

Rental income attributable to the investment properties amounted to ₱7.0 million and ₱9.9 million for the periods ended September 30, 2018 and 2017, respectively.

12. Property and Equipment

This account consists of:

Unaudited September 30, 2018				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	₱5,397,020	₱495,224	₱776,186	₱6,668,430
Acquisition	—	44,357	—	44,357
	5,397,020	539,581		6,712,787
Accumulated depreciation:				
January 1	5,397,020	360,534	773,186	6,533,740
Depreciation	—	61,956	—	61,956
September 30	5,397,020	422,490	776,186	6,595,696
Net Book Value	₱—	₱117,091	₱—	₱117,091

Audited December 31, 2017

	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	P5,397,020	P368,455	P776,186	P6,541,661
Additions	-	126,769	-	126,769
December 31	P5,397,020	P495,224	P776,186	P6,668,430
Accumulated depreciation:				
January 1	5,397,017	337,976	773,153	6,508,146
Depreciation	3	22,558	3,033	25,594
December 31	5,397,020	360,534	776,186	6,533,740
Net Book Value	P-	P134,690	P-	P134,690

Fully depreciated assets amounting to P6.6 million are still in use as of September 30, 2018.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited September 30 2018	Audited December 31 2017
Accrued expenses	P10,211,009	P7,116,555
Advance rentals	1,612,956	232,956
Payable to government agencies	489,785	422,218
Others	530,804	257,085
	P12,844,554	P8,028,814

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, employee benefits and others. These are noninterest-bearing and generally have terms of 30-60 days.

Advance rentals from related parties and third-party customers are applied against rent due at the end of the lease term.

Payable to government agencies pertains to output VAT, withholding taxes on salaries and other expenses which are normally settled within one month after the reporting period.

Other accounts payable pertains to unclaimed monies or dividends by stockholders which are noninterest-bearing and due and demandable.

14. Related Party Transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Significant related transactions and balances as of September 30, 2018 and December 31, 2017 follow:

Related Party	Notes	As of September 30, 2018		As of December 31, 2017		Terms and conditions
		Transactions (Jan to Sep)	Outstanding receivable (payable)	Transactions (annual)	Outstanding receivable (payable)	
Entities under common control						
<i>Rental Income (a)</i>						
KPMI		₱9,621,134	₱33,380,559	₱12,852,185	₱32,931,722	The outstanding balance is collectible in cash, with term of 30 to 60 days from date of each transaction. This is non-interest bearing and unsecured.
Keppel IVI Investments, Inc. (KIVI)		225,000	-	300,000	-	
Keppel Energy and Consultancy Inc. (KECI)		90,000	30,000	228,000	-	
Kepwealth Property Phils., Inc. (Kepwealth Property)		-	-	271,877	-	
	7	9,936,134	33,410,559	13,652,062	32,931,722	
<i>Advance rental and deposit – KPMI (a)</i>						
Advance rentals	13	-	(232,956)	-	(232,956)	The outstanding balance is unsecured and non-interest bearing.
Refundable deposits		-	(232,956)	-	(232,956)	
<i>Various expenses and charges (b)</i>						
KPMI		19,619	3,415	253,623	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Keppel Subic Shipyard, Inc.		18,621	-	19,257	-	
KECI		23,403	7,741	-	-	
Kepwealth Property		-	-	998	-	
	7	61,643	11,156	273,878	-	
<i>Loans – KPMI (c)</i>						
Loans – KPMI	7	32,500,000	274,500,000	132,500,000	242,000,000	These are interest bearing, unsecured and not impaired.
Interest income - KPMI		7,344,697	1,273,962	11,742,752	743,904	
<i>Management fees (d)</i>						
Kepwealth, Inc.		207,000	-	120,000	-	
KECI		180,000	60,000	300,000	-	
KIVI		135,000	-	180,000	-	
Kepventure, Inc.		45,000	-	30,000	-	
Kepwealth Property		-	-	1,150,200	-	
		567,000	60,000	1,780,200	-	
<i>Director's Fees</i>						
KPPI		260,000	-	310,000	-	
KPMI		60,000	-	60,000	-	
		320,000	-	370,000	-	
Associates						
Equity in net earnings	10	7,727,637	-	8,742,280	-	
Cash dividend received	10	8,733,099	-	3,493,239	-	
Shareholders						
Unclaimed monies or dividends	13	(273,719)	(530,804)	5,780,432	(257,085)	The outstanding balance is unsecured, non-interest bearing, and payable in cash on or before the due date as agreed by the BOD.
Key management personnel (e)						
Salaries and other employees' benefits	13,17	8,440,953	(6,893,355)	11,128,786	(5,410,567)	The outstanding payable is unsecured, non-interest bearing, payable every designated period on employees' contracts.

Outstanding balances of transactions with related parties are unsecured and settlements are made in cash. As of this period, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

The following are the Group's significant transactions with related parties:

Lease agreements

- (i) GMRI has lease agreement with KPMI, an affiliate, covering the properties in the site of KPMI's shipyard for a period of 50 years beginning 1993. Rent income based on straight-line method amounted to ₱7.2 million as of September 30, 2018 and 2017. Total outstanding lease receivables representing lease differential in the computation of rent income using straight line method amounted to ₱33.1 million and ₱32.9 million as of September 30, 2018 and December 31, 2017, respectively.

In 2015, GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on January 1, 2015, subject to yearly renewal. Rental income derived from these transactions amounted to ₱0.3 million as of September 30, 2018 and 2017. Advance rentals and deposits of KPMI amounted to ₱0.1 million as at September 30, 2018 and December 31, 2017 which will be applied against the rent due at the end of the contract. Outstanding receivable as of September 30, 2018 amounted to ₱0.04 million (December 31, 2017 – nil).

- (ii) GRDC leases its properties to KPMI, for a period of one (1) year commencing on January 1, 2015, subject to yearly renewal under such terms and conditions as may be mutually agreed upon by both parties. Rental income amounted to ₱0.2 million as of September 30, 2018 and 2017. Outstanding receivable as of September 30, 2018 amounted to ₱0.02 million (December 31, 2017 – nil).
- (iii) KPSI leases certain properties to KPMI, KIVI, KECI and Kepwealth Property for a period of one (1) year, renewable annually. The lease contracts with Kepwealth Property was terminated on October 31, 2017. Rental income amounted to ₱0.7 million and ₱1.0 million as of September 30, 2018 and 2017, respectively. Outstanding receivable as of September 30, 2018 amounted to ₱0.06 million (December 31, 2017 – nil).
- (iv) Parent Company and KPMI have an existing land lease agreement on a piece of land which is the subject of complaint against Philippine National Oil Company (PNOC). The lease is for a period of one (1) year subject to renewal with a monthly rent of ₱0.2 million. The lease contract was last renewed in July 2018. Rental income amounted to ₱1.6 million both for the periods ended September 30, 2018 and 2017. Outstanding receivable as of September 30, 2018 amounted to ₱0.2 million (December 31, 2017 – nil).

Total rental income derived from these agreements amounted to ₱9.9 million and ₱10.3 million as of September 30, 2018 and 2017, respectively.

Advance rentals and refundable deposits are both equivalent to one (1) month rental of the corresponding lease contract. Refundable deposits amounting to ₱0.2 million as at September 30, 2018 (December 31, 2017 - ₱0.5 million) is presented under accounts payable and other current liabilities in the consolidated statement of financial position. The refundable deposit is to be returned at the end of the lease term, net of any expenses that will be incurred in the process of restoring the leased premises.

(b) Advances for various expenses and charges

Amounts due from KPMI, KSSI, KECI and Kepwealth Property pertain to reimbursement of various expenses such as legal, communication and business development expenses paid for by the Group.

(c) Loan agreements

- (i) GMRI granted short-term and long-term interest-bearing loan to KPMI).

	Release Date	Principal Amount	Balance as of January 1 2017	Transactions as of September 30, 2018		Balance as of Sep 30 2018	Terms and Conditions
				Availment	Payment		
Long-term	Sep 5, 2014	₱200,000,000	₱87,500,000	₱ -	₱87,500,000	₱-	5-year, 4 equal quarterly installments, interest subject to repricing semi-annual, option for repayment, interest rates - 2017 - 3.6% to 4.6%; 2018 - 4.5% to 5.4%
			87,500,000	-	87,500,000	-	
Short-term	Dec 5, 2017	12,500,000	12,500,000	77,000,000	-	89,500,000	88-90 days with renewal; 3% to 4.25% interest
			12,500,000	77,000,000	-	89,500,000	
			₱100,000,000	₱77,000,000	₱87,500,000	₱89,500,000	

The total outstanding loan of KPMI as of September 30, 2018 and December 31, 2017 amounted to ₱89.5 million and ₱100.0 million, respectively. Interest income recognized from these loans amounted to ₱2.9 million and ₱6.8 million for the periods ending September 30, 2018 and 2017, respectively. Accrued interest receivable amounted to ₱0.3 million both as of September 30, 2018 and December 31, 2017.

- (ii) KPSI granted short-term loan to KPMI since February 2016. As of December 31, 2017, KPMI has outstanding balance of ₱15.0 million with 90 days term and was renewed thereafter till this period September 30, 2018. Interest income recognized from the short-term loans amounted to ₱0.4 million both as of September 30, 2018 and 2017. Accrued interest receivable amounted to ₱0.1 million as of September 30, 2018 and December 31, 2017.

Release Date	Principal Amount	Balance as of Dec 31 2017	Transactions as of September 30, 2018		Balance as of Sep 30 2017	Terms and Conditions
			Availment	Payment		
Oct 17, 2016	₱15,000,000	₱15,000,000	₱ -	₱ -	₱15,000,000	90 days with renewal, interest – 2017 3.0% - 3.5%; 2018 3.2% - 3.5%

- (iii) The Parent Company started to grant short-term loans to KPMI in June 2015. As of September 30, 2018, KPMI has outstanding short-term loans as follows:

Release Date	Principal Amount	Balance as of Dec 31 2017	Transactions as of September 30, 2018		Balance as of Sep 30 2017	Terms and Conditions
			Availment	Payment		
June 16, 2017	₱52,000,000	₱52,000,000	₱ -	₱ -	₱52,000,000	90 days with renewal, interest – 2017 2.8% to 3.5%; 2018 3% - 4.25%
Nov 27, 2017	50,000,000	50,000,000	-	-	50,000,000	
Dec 4, 2017	25,000,000	25,000,000	-	-	25,000,000	
Mar 12, 2018	18,000,000	-	18,000,000	-	18,000,000	90 days with renewal at 3.0% to 4.25%
Apr 7, 2018	25,000,000	-	25,000,000	-	25,000,000	
		₱127,000,000	₱43,000,000	₱ -	₱170,000,000	

Interest income recognized from these loans by the Parent Company amounted to ₱4.1 million as of September 30, 2018 (2017 - ₱1.7 million). Accrued interest receivable amounted to ₱0.9 million as of September 30, 2018 (December 31, 2017 - ₱0.3 million).

Total interest income earned from these loan agreements amounted to ₱7.3 million as of September 30, 2018 (2017 - ₱8.9 million). Accrued interest receivable amounted to ₱1.3 million as of September 30, 2018 (December 31, 2017 - ₱0.7 million).

(d) *Management fees*

The Parent Company has existing annual management agreement with Kepwealth Inc, KECI, KIVI, Kepventure and Kepwealth Property. The management fee is subject to change depending upon the extent and volume of services provided by the Parent Company. This will cover regular consultancy, handling of financial reporting, personnel and administration services including payroll and other government documentary requirements. The agreement is considered renewed every year thereafter, unless one party gives the other a written termination at least three (3) months prior to the date of expiration. The management agreement with Kepwealth Property was terminated in October 2017 due to the sale of Kepwealth Property to a third party.

Management fees earned amounted to ₱0.6 million and ₱1.5 million as of September 30, 2018 and 2017.

(e) *Key management personnel*

Outstanding balance related to salaries and other employees benefits of key management personnel amounting to ₱6.9 million and ₱5.4 million for the periods ended September 30, 2018 and December 31, 2017, respectively, as presented within accrued expenses under accounts payable and other current liabilities in the consolidated statement of financial position.

15. Capital Stock

The Class "A" and Class "B" shares of stock are identical in all respects and have ₱1 par value, except that Class "A" shares are restricted in ownership to Philippine nationals. Class "B" shares are 18% and 82% owned by Philippine nationals and foreign nationals, respectively, as of September 30, 2018. Authorized and issued shares as of September 30, 2018 and December 31, 2017 as follows:

	Authorized	Issued
Class " A "	90,000,000	39,840,970
Class " B "	200,000,000	33,332,530
	290,000,000	73,173,500

Details of the Parent Company's shares as at September 30, 2018 and 2017 as follows:

Treasury shares	
Class " A "	3,674,000
Class " B "	11,696,081
	15,370,081

Weighted average number of shares	
Class " A "	36,166,970
Class " B "	21,636,449
	57,803,419

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities as at September 30, 2018 and 2017:

Common Shares	Number of Shares Registered	Issue/Offer Price	Date of Approval	Number of Holders of Securities
September 30, 2018				
Class " A "	36,166,970	1.00	June 30, 2000	380
Class " B "	21,636,449	1.00	June 30, 2000	55
	57,803,419			
September 30, 2017				
Class " A "	36,166,970	1.00	June 30, 2000	386
Class " B "	21,636,449	1.00	June 30, 2000	57
	57,803,419			

There are 422 and 425 total shareholders per record holding both Class "A" and "B" shares as of September 30, 2018 and 2017, respectively.

16. Retained Earnings and Treasury Shares

The portion of retained earnings, corresponding to the undistributed equity in net earnings of the associates, is not available for distribution as dividends until declared by the associates.

Retained earnings are further restricted to the extent of with the following details as of September 30, 2018 and 2017.

	No. of Shares	Cost
Class " A "	3,674,000	₱13,408,963
Class " B "	11,696,081	9,214,013
	15,370,081	₱22,622,976

In 2017, GMRI declared cash dividends amounting to ₱131.0 million. Out of this amount, the Parent Company received ₱65.8 million while dividends attributable to NCI amounted to ₱63.2 million. In April 2018, GMRI declared and paid ₱20.0 million cash dividends. The Parent Company received ₱10.0 million while dividend attributable to NCI amounted to ₱9.6 million.

The Parent Company's BOD declared cash dividends of ₱0.10 per share or ₱5.8 million both in June 2018 and 2017 as follows:

	2018	2017
Date of declaration and approval	June 22	June 16
Date of shareholders' record	July 6	July 3
Date paid	July 31	July 27

17. Operating Expenses

This account consists of:

	Unaudited September 30 2018	Unaudited September 30 2017
Salaries, wages, and employees' benefits	P8,440,953	P7,450,970
Taxes and licenses	3,821,782	4,957,811
Professional fees	1,948,703	1,084,189
Rental expense	1,698,947	64,000
Transportation and travel	674,440	396,278
Utilities	472,672	425,167
Membership dues and subscriptions	393,452	313,860
Provision for impairment losses	344,371	177,973
Depreciation and amortization	238,581	272,824
Office supplies	169,357	110,907
Repairs and maintenance	92,947	36,397
Postages	66,771	56,532
Insurance	24,861	44,888
Provision for uncollectible accounts	-	289,273
Others	574,817	421,253
	P16,969,271	P16,102,322

Other expenses consist of fringe tax expense, out-of-pocket charges, bank charges, business development expenses and various items that are individually immaterial.

18. Segment Information

For management reporting purposes, these Group activities are classified into business segments - (1) investment holding and (2) real estate. Details of the Group's business segments are as follows:

Unaudited September 30, 2018					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	P9,670,487	P12,678,909	P22,349,396	P-	P22,349,396
Inter-segment	11,202,000	-	11,202,000	(10,635,000)	567,000
Equity in net earnings of an associate	-	7,727,637	7,727,637	-	7,727,637
Total Revenue	20,872,487	20,406,546	41,279,033	(10,635,000)	30,644,033
Income before tax	7,080,903	15,491,938	22,572,841	(10,050,000)	12,522,841
Provision for income tax	(312,650)	(1,270,681)	(1,583,331)	-	(1,583,331)
Net Income	6,768,253	14,221,257	20,989,510	(10,050,000)	10,939,510
<i>Other Information</i>					
Segment assets	346,924,222	794,880,155	1,141,804,377	(110,893,958)	1,030,910,419
Segment liabilities	14,897,699	2,922,474	17,820,173	(1,625,230)	16,194,943
Depreciation & amortization	60,477	178,104	238,581	-	238,581

Audited December 31, 2017					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	P7,322,919	P75,166,326	P82,489,245	P-	P82,489,245
Inter-segment	107,927,500	-	107,927,500	(107,927,500)	-
Equity in net earnings of an associate	-	8,742,280	8,742,280	-	8,742,280
Total revenue	115,250,419	83,908,606	199,159,025	(107,927,500)	91,231,525
Income before tax	99,812,156	75,169,245	174,981,401	(107,327,500)	67,653,901
Provision for income tax	(256,756)	(12,524,461)	(12,781,217)	-	(12,781,217)
Net Income	99,555,400	62,644,784	162,200,184	(107,327,500)	54,872,684
<i>Other Information</i>					
Segment assets	324,677,988	802,079,901	1,126,757,889	(111,443,959)	1,015,313,930
Segment liabilities	8,639,374	4,639,478	13,278,852	(2,175,230)	11,103,622
Depreciation & amortization	22,550	288,002	310,552	-	310,552

Segment assets and segment liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

All the Group's revenues are derived from operation within the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

Rental income from KPMI amounted to ₱10.3 million and ₱9.6 million for the periods ended September 30, 2018 and 2017. Rental from KPMI comprises 31% and 13% of the Group's revenue for the periods ended September 30, 2018 and 2017.

19. Financial Risk Management Objectives and Policies

The Group's principal financial assets and liabilities comprise of cash and cash equivalents, loans receivables, and AFS financial assets. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as lease receivables and trade payables, which arise directly from its operations.

The main risk arising from the Group's consolidated financial statements are credit risk, liquidity risk, interest rate risk and equity price risk. The BOD reviews and approves the policies for managing each of these risks which are summarized below:

Credit risk

Credit risk pertains to the risk that a party to financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group transacts mostly with related parties, thus, there is no requirement for collateral. Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Significant concentration of credit risk as of September 30, 2018 and December 31, 2017 pertains to loan receivables from a related company amounting to ₱274.5 million and ₱242.0 million, respectively, which comprise more or less 80% of the Group's loan and receivables in both periods.

The table below shows the maximum exposure to credit risk of the financial assets of the Group:

	Unaudited September 30 2018	Audited December 31 2017
<i>Loans and receivables</i>		
Cash and cash equivalents *	₱54,544,828	₱87,938,929
Receivables		
Loan receivable from related party	274,500,000	242,000,000
Current portion of lease receivables**	5,283,083	4,404,538
Interest receivable	1,330,299	828,454
Due from related party	71,156	-
	₱335,729,366	₱335,171,921

*Excluding cash on hand

**Noncurrent portion of lease receivables arises from the straight-line recognition of rental income

Credit quality

The Group expects the current portion of the lease receivables to be realized within three (3) months from end of the reporting period. The amounts due from related parties are all collectible and of good credit quality.

High grade assets are considered as having very low risk and can easily be converted to cash. These assets are considered for counterparties that possess strong to very strong capacity to meet their obligations.

Cash in bank

The Group has maintained business relationships with an accredited universal bank that has high credit standing in the financial services industry. The remaining cash in the consolidated financial position pertains to cash on hand which is not subject to credit risk.

Receivables

Loan, lease, interest and other receivables from related parties

Credit exposure of the Group on loan and other receivables from related parties is considered to be low as there is no history of default and known to have strong credit history. Additionally, credit risk is minimized since the related parties are paying on normal credit terms based on contracts.

Receivables from third parties

The credit quality of receivables that are neither past due nor impaired can be assessed as reference to historical information about counterparty default rates. The Group does not hold any collateral in relation to the receivables. None of the financial assets that are fully performing has been renegotiated in the last year or period.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan receivable with interest rate repriced on periodic basis. Since the Group's long-term loan was granted to a related party, there is no requirement for collateral or guaranty. (Note 14).

Equity Price Risk

Equity price risk is the risk that the fair values of the equities will decrease resulting from changes in the levels of equity indices and the value of the individual stocks. The Group's price risk exposure relates to its quoted available-for-sale financial assets where values will fluctuate as a result of changes in market prices. Such quoted AFS financial asset is subject to price risk due to changes in market values arising from factors specific to the instruments or its issuer or factors affecting all instruments traded in the market.

Liquidity Risk

Liquidity is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, and loans. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions.

The Group monitors capital using a debt to equity ratio, which is the total liabilities divided by total equity. Total liabilities include current and noncurrent liabilities. Equity comprises all components of equity.

The Group's objective is to ensure that there are no known events that may trigger direct or contingent financial obligation that is material to the Group, including default or acceleration of an obligation.

The debt to equity ratios as of September 30, 2018 and December 31, 2017 are as follows:

	Unaudited September 30 2018	Audited December 31 2017
Total liabilities	P16,194,943	P11,103,622
Total equity	1,014,715,476	1,004,210,308
Debt to equity ratio	0.016:1	0.011:1

The Group is not subject to any externally imposed capital requirements.

Fair Value Estimation of Financial Assets

Loans and Receivables

Due to the short-term nature of the Group's financial instruments, the fair values approximate their carrying amounts as of September 30, 2018 and December 31, 2017. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

AFS Financial Assets

The fair value of quoted available-for-sale financial assets is determined by reference to quoted market bid price at the close of business at the end of the reporting dates since this is actively traded in organized financial markets. Unquoted available-for-sale financial assets are carried at cost, less any allowance for impairment loss.

Fair Value Hierarchy

As of September 30, 2018, and December 31, 2017, the Group classifies its quoted available-for-sale financial asset amounting to P35.0 million and P20.0 million, respectively, under Level 1 of the fair value hierarchy. During the reporting periods ending September 30, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

20. Financial Soundness - Key Performance Indicators

	Unaudited September 30 2018	Audited December 31 2017
A. Current and Liquidity Ratios		
1. Current Ratio (Current Assets/Current Liabilities)	22.94	31.01
2. Acid-test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	22.78	30.93
B. Solvency Ratio (annualized)		
1. Net Income + Depreciation/Total Liabilities	0.92	4.97
2. Total Assets/Total Liabilities	63.66	91.44
C. Debt to Equity Ratio (Total Liabilities/Stockholders' Equity)	0.02	0.01
D. Asset to Equity Ratio	1.02	1.01
E. Debt Ratio (Total Liabilities/Total Assets)	0.02	0.01
F. Interest Rate Coverage Ratio (EBIT/Interest Expense)	Nil	Nil
G. Profitability % (annualized)		
1. Return on Assets (Net Income/Total Assets)	1.41	5.40
2. Return on Equity (Net Income/Stockholders Equity)	1.44	5.46
H. Earnings per Share Attributable to Equity Holders of Parent (₱) (Annualized)	0.10	0.78
I. Book Value per Share Attributable to Equity Holders of the Parent (₱)	10.97	10.73

21. Other Matters

In September 2003, the Parent Company filed a complaint against the PNOC for specific performance with the Regional Trial Court (RTC) of Batangas City for the enforcement of the contract relating to the option to purchase a parcel of land in Batangas. Judgment was rendered in January 2006 in favor of the Parent Company ordering PNOC to accept the payment of ₱4.1 million as full and complete payment of the purchase price, and to execute a Deed of Absolute Sale in favor of the Parent Company. PNOC, however, filed an appeal with the Court of Appeals (CA) which was dismissed on December 19, 2011.

On July 25, 2016, the Supreme Court (SC) affirmed the decision of the CA in December 2011 in the resolution dated May 14, 2012 and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent's Company's Filipino equity ownership. On December 14, 2016, SC's decision became final and executory and was recorded in the Book of Entries of Judgments. In September 24, 2018, the RTC issued a resolution against the Parent Company. The Parent Company filed a motion for reconsideration on October 12, 2018, with the RTC to argue the merits.

The Parent Company's cash deposit of ₱4.1 million with the Court which is presented in the of financial position under other noncurrent assets. The said piece of land is the subject of a lease agreement between the Parent Company and KPMI. (see Note 14)

Aging of Receivable as at September 30, 2018:

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Loan receivable - current	₱274,500,000	₱274,500,000	₱-	₱-	₱-	₱-
Lease receivables - current	5,283,083	5,283,083			-	-
Interest receivable	1,330,299	1,330,299	-	-	-	-
Due from related parties	71,156	71,156	-	-	-	-
Nontrade - receivables	2,152,580	-	-	-	-	2,152,580
Total	283,337,118	281,184,538	-	-	-	2,152,580
Less Allowance for doubtful accounts	2,152,580	-	-	-	-	2,152,580
Net Receivables	₱281,184,538	₱281,184,538	₱-	₱-	₱-	₱-

EXHIBIT II

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

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

Results of Operations

The Group recorded a net income of ₱10.9 million for the nine-month period ended September 30, 2018 as against ₱46.7 million in same period last year. The 77% decrease was mainly due to gain of ₱40.0 million on sale of investment properties realized in 2017 and nil as of this period. Lower interest income, management fees and higher operating expenses also contributed to lower net income this year. This was partially offset by higher equity in net earnings of associates and lower income tax provision.

Rental revenue for the period ending September 30, 2018 amounted to ₱13.9 million, 4% lower than same period last year of ₱14.4 million. The decrease was due to the sale of the condominium units starting second quarter of 2017. However, rental revenue during the third quarter gradually improved due to the rental of properties in Batangas to external party which contributed about ₱3.5 million.

The Group earned interest income of ₱8.4 million as of September 30, 2018, 10% lower than same period last year of ₱9.4 million mainly due to repayment of long-term loan amounting to ₱87.5 million. This was partially offset by the granting of new short-term loan of ₱120.0 million. Long-term loan interest has higher rates ranging from 3.6% to 4.6% in 2017 and 4.5% to 5.4% in 2018. Short-term loan interest ranges from 2.8% to 3.5% in 2017 and 3% to 4.25% in 2018.

The Group recognized equity in net earnings of associates of ₱7.7 million as of September 30, 2018 or 5% higher than same period last year of ₱7.4 million.

Management fees charged to related parties decreased from ₱1.5 million as of September 30, 2017 as against this period of ₱0.6 million. This was due to lower number of related companies being served by the Parent Company.

Operating expenses of ₱19.0 million for the nine-month period was higher by 18% as against ₱16.1 million as of September 30, 2017. This was brought by higher salaries and benefits, higher professional (legal) fees, travel and transportation, and maintenance expense relating to properties for rent. This was partially offset by lower taxes and licenses, depreciation, and provision for impairment and insurance expense.

Other income earned as of September 30, 2018 amounted to P0.8 million as against last year same period of P0.5 million. This is mainly from the recovery of allowance for doubtful accounts receivable from an external party provided in December 2017 which was fully collected/recovered in June 30, 2018.

The Group recognized other comprehensive income from fair value gain adjustment on AFS financial assets of ₱15.0 million and ₱0.5 million as of September 30, 2018 and 2017, respectively.

Financial Condition

The cash position of the Group as of September 30, 2018 amounted ₱54.5 million, ₱33.4 million or 38% lower than ₱87.9 million as of December 31, 2017. The decrease was due to granting of new short-term loans of ₱120.0 million, cash dividend paid to shareholders of ₱15.4 million and cash used in operating activities of ₱2.1 million. This was partially offset by receipt of ₱87.5 million principal payment of long-term loan receivable, ₱7.9 million interests received from loan receivable and short-term deposits, and cash dividend received from Consort Land, Inc. of ₱8.7 million.

Total receivables both current and non-current, net of allowance amounted to ₱309.7 million and ₱276.0 million in September 30, 2018 and December 31, 2017, respectively, or an increase of 12% or ₱33.7 million. This increase was due to net effect of granting of new short-term loan of ₱120.0 million and receipt of ₱87.5 million as full payment of long-term loan. Lease & other receivables also increased by ₱0.7 million and provision for uncollectible account of ₱0.5 million in 2017 was recovered this year.

Other current assets as of this period increased to ₱2.2 million as against ₱0.7 million as of December 31, 2017. This was mainly due to prepaid expenses particularly real property and business taxes.

Available-for-sale financial assets related to a quoted club share at fair value price as of September 30, 2018 amounted to ₱35.0 million, ₱15.0 million higher than in December 31, 2017 of ₱20.0 million.

Investments in associates decreased from ₱420.4 million as of December 31, 2017 to ₱419.4 million as of September 30, 2018. The decrease of ₱1.0 million was due mainly the net effect of cash dividend received amounting to ₱8.7 million and the recognition of equity in net earnings of associate of ₱7.7million.

Investment properties and Property and equipment as of September 30, 2018 amounting to ₱206.0 million is almost at same level as of December 31, 2017. The Group acquired office equipment worth ₱0.04 million during the period.

Total liabilities as of September 30, 2018 amounted to ₱16.2 million as against ₱11.1 million as of December 31, 2017. The increase of ₱5.1 million was due to accrual of rental of heavy equipment & maintenance expenses for the leasing of properties in Batangas amounting to ₱1.7 million, increase in security deposits and advance rentals from external party of ₱2.8 million, increase in accrual of benefits of ₱1.5 million, and partially offset by decrease in income tax payable of ₱ 1.0 million.

The equity attributable to equity holders of the Parent Company as of September 30, 2018 amounted to ₱633.9 million as against last December 31, 2017 of ₱620.4 million. This was due to net income attributable to Parent Company of ₱4.2 million for the period ending September 30, 2018, comprehensive income from the fair value gain on available-for sale financial assets of ₱15.0 million and partially offset by cash dividend to the shareholders of ₱5.8 million paid in July 2018.

Noncontrolling interests as of September 30, 2018 amounted to ₱380.9 million as against last December 31, 2017 of ₱383.8 million. The decrease was due to the net effect of net income attributable to the noncontrolling interests of ₱6.7 million for and payment of cash dividends of ₱9.6 million.

The book value per share attributable to equity holders of the parent (equity attributable to equity holders of the parent divided by common shares outstanding) at ₱10.97 as of September 30, 2018 higher than in December 31, 2017 at ₱10.73 per share.

Earnings per share attributable to the equity holders of the Parent (net earnings for the period divided by common shares outstanding) as shown in the consolidated statement of income for the period ending September 30, 2018 was ₱0.07 lower than as of September 30, 2017 of ₱0.67 per share.

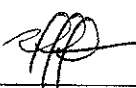
Material Events and Uncertainties

There are no known trends, commitments, events or uncertainties that will have a material impact on the Group's liquidity for the remaining periods of the year. There are also no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the nine-month period.

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 : **KEPPEL PHILIPPINES HOLDINGS, INC.**

Signature and Title : 

ALAN I. CLAVERIA
President



FELICIDAD V. RAZON
VP/Treasurer

Date : **09 November 2018**