

SEC Number 112978

File Number _____

PHILIPPINE ESTATES CORPORATION

Company's Full Name

^{35TH} Flr. One Corporate Center, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City

Company's Address

637-3112

Telephone Number

DECEMBER 31

**Fiscal Year Ending
(Month and day)**

SEC-FORM 17-Q

Form Type

N.A.

Amendment Designation(If applicable)

March 31, 2016

Period Ended Date

N.A.

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, 2016**
2. Commission identification number **112978**
3. BIR Tax Identification No. **000-263-366**

PHILIPPINE ESTATES CORPORATION

4. Exact name of registrant as specified in its charter
Metro Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: SEC Use Only

7. Address of issuer's principal office
35th Flr., One Corporate Center, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City

8. Issuer's telephone number, including area code
(632) 637-3112
9. Former name, former address and former fiscal year, if changed since last report **NA**
10. Securities registered pursuant to Section 4 and 8 of the RSA: Common shares **5,000,000,000** with par Value of P1.00 per share

Number of Shares Common Stock Issued Outstanding: **1,445,549,830 Common Shares**

Amount of Debt Outstanding: P 386,100,530 (as per Financial Statements)

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:

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:
 - a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 hereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such report)
Yes[] No[]
 - b) has been subject to such filing requirements for the past 90 days
Yes[] No[]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Quarterly Financial Statements of the Company for the period ending March 31, 2016 are incorporated herein by reference and attached as an integral part of this Quarterly Report.

Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Statements of Financial Accounting Standards of the Philippines issued by the Accounting Standards Council.

Earnings per Share

Basic Earnings per share is determined by dividing the Net Income by the weighted average number of shares issued and subscribed during the period.

Financial Information

- a. The management maintains the same system of accounting policies and methods of computation in the Interim Financial Statements.
- b. There were no changes in accounting estimates of amounts reported in interim periods of current financial year or even in prior financial years
- c. There were no issuances, repurchases and repayments of equity securities
- d. There were no changes in the composition of the issuer during the interim period i.e. Business Combinations, Acquisitions, or Disposal of Subsidiaries and Long-term Investments, Restructuring and Discontinuing operations
- f. There were no dividends declared and paid on the Company's Common Equity.
- g. There have been no material events that happened subsequent to the interim period that needs disclosure herein.
- h. The Company is contingently liable for existing lawsuits and claims from third parties arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relations to the Financial Position and Operating Results of the company's operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations.

1. Plan of Operation

The Company is continuously evaluating number of alternatives and measures for generating liquidity to meet material commitments for capital expenditures for the development of the projects. Some of the more significant measures are as follows:

- Intensive collection campaign to improve collections
- Launching of subdivision projects catering to the middle income market
- Regular review of development costs matching the pace of development with fund availability and thorough review of sales price
- Negotiations for the purchase of land for future development

The Company continues to develop through the following projects:

- Pacific Grand Villas Phase 5 – a follow-up to the highly successful Pacific Grand Villas series, Phase 5 is an expansion of the Mediterranean themed village in Lapu-lapu City Mactan, Cebu. The masterplanned community shall have bigger houses and lot cuts. Situated in the main entrance avenue by the commercial area, prime sections of this phase offer shop houses or specially-designed home-buildings, the ground floors of which are devoted to village commercial enterprises like salons, boutiques, clinics, spa, convenience stores, and the like. These units will be sold together with a luxurious housing component in this low density phase. We are deferring the development of the project until further evaluation of the project is completed.
- Aureville - this project is our third residential community in Iloilo City. The house-and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for-money. Consisting of about 10 hectares, the initial offering is two bungalow-type house models of French inspiration. These single-level houses are very much suited also for senior citizens and retirees. We are deferring the development of the project until further evaluation of the project is completed.
- Pacific Grand Townhomes Phase II - a very exclusive, pocket townhouse enclave, stylishly Mediterranean but with a *modern* twist. Just right for young upwardly-mobile professionals or starter families, though equally attractive as full-family dwellings. Located in the hub of city conveniences, and all the fun of living in the resort city island setting of Mactan.
- Commercial Project in Cebu - a two-hectare, fully commercial area is allocated right by the main entrance frontage of Pacific Grand Villas in Lapu-lapu City, Cebu. The plan incorporates shopping arcades for shops such as food and entertainment, offices, banks, and other commercial outlets.
- Exclusive Residential Enclave in Cebu - located in a prime section of an exclusive subdivision in Lapu-lapu City, Cebu, this pilot project consists of about 60 townhouse-type units. It is contemplated to be styled in the condominium concept, to afford ownership opportunities to foreigners opting to have their primary residences in Cebu.

2. Financial Position

The company maintained its Financial Position as its total assets stood at P1.429B. Current ratio registered at 5.64:1. Current assets reached P931.748M while current liabilities amounted only to P165.167M. Debt –to- equity ratio stood at 0.37:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of March, 2016.

Causes for material changes (5% or more) from period to period:

- a. Other Assets – the decrease of 44% was mainly due to refund made from Mactan Electric Company for the deposits of electric service connection.
- b. Accounts Payable and Accrued Expenses – the decrease of 14% was mainly due to payments made to suppliers and contractors.
- c. Deferred Gross Profit – the increase of 5.6% was due to installment sales generated during the quarter
- d. Customers Deposits – the increase of 6% was due to sales reservations generated during the quarter

3. Result of Operations

The company continued to generate sales from the regular sources of operations, i.e. the middle-income subdivision projects. For the first quarter of 2016, the company posted consolidated sales of P 25.699M compared last year 1st quarter of only 8.314M

There was a decrease in finance cost by 16%, Penalty Fee, Interests and Surcharges and Representation Expense, also decrease by 5% and 12% respectively for this quarter of the current year, based on vertical analysis of last year's result of operations, these, due to taxes are remitted on time.

Comparative Top Key Performance Indicators of the Company:

The management evaluates the company's performance as it relates to the following:

- A. Sales - The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- B. Accounts Receivable – The company assesses the efficiency in collecting receivables and in management of credit by determining the past due ratio done thru the aging of receivables.
- C. Gross Profit Margin - Management measures effectiveness regarding pricing and control of project development cost. This is being computed by dividing gross profit over net sales.
- D. Working Capital - The Company's ability to meet obligations is measured by determining current assets over current obligations. Working Capital Turnover is calculated by dividing Cost of Sales over Net Working Capital.

<u>INDICATOR</u>	<u>Q1 2016</u>	<u>Q1 2015</u>
Return on sales	-30.43%	-60.57%
Past due ratio	38.59%	17.53 %
Gross Profit rate	54.24%	57.50 %
Working Capital Turnover	0.015	0.007

4. Other Notes to 1Q 2016 Operations and Financials:

Analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- **Any known trends, demands, commitments, events or uncertainties that will have an impact on the issuer's liquidity;**

At present, the uncertainty that has a material impact on sales is the economic situation. The seemingly improving economic situation has not translated into a significant buying mood for the real estate market. As a result, there are contingencies that may affect future operations of the company the resolution of which are dependent to a large extent on the efficacy of the fiscal measures and other actions.

- **Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;**

The Company sees no event that will trigger direct or contingent financial obligation that is material to the Company.

- **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during reported period.**

There were no material off-balance sheet transactions, agreements, obligations, (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during t4he reported period.

- **Any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.**

There were no material commitments for capital expenditures except those arising from the ordinary project development requirements that were well within the regular cash flow budget coming from internally generated funds.

- **Seasonal aspects that had material effect on the financial condition or results of operation.**

Projects are launched any time of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market condition and strategies. Development and construction works follow.

- **Internal and external sources of liquidity**

Collections from selling activities provide liquidity. Externally, the Company avails of credit lines offered by banks. The Company periodically reviews its capital structure and existing obligations.

Compliance with Leading Practice on Corporate Governance

The company has adopted the Manual of Corporate Governance and full compliance with the same has been made since the adoption of the Manual.

The company is taking further steps to enhance adherence to principles and practices of good corporate governance. Among these are as follows:

- Organizational and Procedural Controls
- Independent Audit Mechanism
- Regular Reporting to Audit Committee
- Creation of Board Committees
- Financial and Operational Reporting
- Compliance to Government Regulatory and Reportorial Requirements
- Disclosure of Transparency to the Public

There was no deviation committed by any of the company's directors and/or officers on the Manual of Corporate Governance during the period covered in this report.

PART II – OTHER INFORMATION

Disclosure not made under SEC FORM 17-C: **NONE**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
BALANCE SHEET
March 31, 2016
(With Comparative Figures for 2015)
(Pesos in Millions)

	Interim F/S Mar 31, 2016	Audited F/S Dec 31, 2015
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	11.242	11.520
TRADE AND OTHER RECEIVABLES, NET	209.541	155.909
REAL ESTATE INVENTORIES, NET	685.925	691.526
PREPAYMENTS AND OTHER CURRENT ASSETS	25.041	24.381
	931.748	883.336
NON-CURRENT ASSETS		
NON-CURRENT TRADE RECEIVABLES	117.605	172.129
ADVANCES TO RELATED PARTIES	312.350	315.585
INVESTMENT PROPERTY	1.072	1.072
PROPERTY AND EQUIPMENT, NET	46.538	47.357
DEFERRED TAX ASSETS	16.268	16.268
OTHER ASSETS	3.655	6.527
	497.488	558.938
TOTAL ASSETS	1,429.236	1,442.275
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	56.165	65.321
LOANS PAYABLE	31.012	31.543
DEFERRED GROSS PROFIT	76.237	72.171
CUSTOMER'S DEPOSITS	1.753	1.655
	165.167	170.690
NON-CURRENT LIABILITIES		
RETENTION PAYABLE AND GUARANTY BONDS	23.989	23.658
LOANS PAYABLE (net of current portion)	45.552	45.552
ADVANCES FROM RELATED PARTIES	123.728	123.756
DEFERRED TAX LIABILITIES	22.873	22.873
RETIREMENTS BENEFIT OBLIGATIONS	4.790	4.790
	220.933	220.630
TOTAL LIABILITIES	386.101	391.320
EQUITY		
CAPITAL STOCK	1,445.550	1,445.550
DEFICIT	(402.414)	(394.595)
TOTAL EQUITY	1,043.136	1,050.955
TOTAL LIABILITIES AND EQUITY	1,429.236	1,442.275

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF INCOME AND DEFICIT
For the Three-Month Period ended March 31, 2016
(Pesos in Millions except per share amounts)

	2016	2015
	Jan-Mar	Jan-Mar
REAL ESTATE SALES	25.699	8.314
LESS: COST OF SALES	11.760	3.533
GROSS PROFIT	<u>13.940</u>	<u>4.781</u>
DEFERRED GROSS PROFIT	8.554	3.324
REALIZED GROSS PROFIT ON CURRENT YEAR	5.386	1.457
ADD: REALIZED GROSS PROFIT - PRIOR YEAR	3.501	4.449
TOTAL REALIZED GROSS PROFIT	<u>8.887</u>	<u>5.906</u>
OPERATING EXPENSES	<u>14.953</u>	<u>15.190</u>
NET OPERATING INCOME	(6.065)	(9.284)
FINANCE COST	(2.067)	(2.454)
OTHER INCOME (EXPENSES)	<u>0.313</u>	<u>1.993</u>
NET INCOME (LOSS)	(7.819)	(9.745)
LESS: INCOME TAX	<u>-</u>	<u>-</u>
NET INCOME (LOSS) AFTER PROVISION	<u><u>(7.819)</u></u>	<u><u>(9.745)</u></u>
RETAINED EARNINGS, BEGINNING	(394.595)	(400.460)
ADJUSTMENTS	<u>(7.819)</u>	<u>(9.745)</u>
RETAINED EARNINGS, END	<u><u>(402.414)</u></u>	<u><u>(410.205)</u></u>
EARNINGS (LOSS) PER SHARE *	<u><u>(0.0054)</u></u>	<u><u>(0.0067)</u></u>

* Based on Weighted Average number of common shares outstanding

1,445,849,830

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF CASH FLOW
March 31, 2016
(With Comparative Figures for 2015)
(Pesos in Millions)

	Jan-Mar 2016	Jan-Mar 2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	(7.819)	(5.036)
Adjustment to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	0.325	0.196
Gain on sale of property and equipment	-	(1.369)
Acquisition of property	-	-
Decrease (increase) in assets:	-	-
Receivables	4.128	(4.331)
Inventories	8.493	2.473
Prepaid Expenses	(0.494)	(0.409)
Other Assets	2.707	-
Increase (decrease) in liabilities	-	-
Accounts payable	(11.257)	1.367
Accrued expenses	(0.865)	2.186
Deferred Income	4.607	(0.584)
Net cash provided by (used) in operating activities	(0.175)	(5.507)
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to equipment	(0.048)	(0.079)
Additions to project development cost	(0.027)	(0.319)
Net cash provided by (used) in investing activities	(0.075)	(0.398)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net decrease in due to affiliates	(0.029)	-
Proceeds from short-term borrowings	-	-
Net cash provided by (used) in financing activities	(0.029)	-
NET INCREASE (DECREASE) IN CASH	(0.278)	(5.905)
ADJUSTMENT OF PRIOR PERIODS	-	
CASH, BEGINNING	11.520	24.797
CASH, END	11.242	18.892

PHILIPPINE ESTATES CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three-Month Period ended March 31, 2016
(With Comparative Figures for 2015)
(Pesos in Millions)

	CAPITAL STOCK	DEFICIT	TOTAL
Balance at December 31, 2014	1,445.550	(400.460)	1,045.090
Net Income (Loss) as of March 31, 2015		(9.745)	(9.745)
Balance at March 31, 2015	1,445.550	(410.205)	1,035.345
Balance at December 31, 2015	1,445.550	(394.595)	1,050.955
Net Income (Loss) as of March 31, 2016		(7.819)	(7.819)
Balance at March 31, 2016	1,445.550	(402.414)	1,043.136

PHILIPPINE ESTATES CORPORATION
SEGMENT REPORT
JANUARY-MARCH 2016

	HEAD OFFICE	DAVAO	CEBU	ILOILO	CONSOLIDATED
SALES	-	-	9,714,972	15,984,500	25,699,472
REALIZED GROSS PROFIT	-	-	6,687,880	2,199,420	8,887,300
OTHER INCOME	1,123	-	121,369	190,331	312,823
FINANCE COST	2,066,501	-	-	-	2,066,501
DEPRECIATION AND AMORTIZATION	712,187	-	141,289	12,978	866,453
OTHER OPERATING EXPENSES	7,521,372	122,713	4,937,936	1,504,155	14,086,178
SEGMENT ASSETS	774,338,188	4,146,266	549,143,812	101,608,115	1,429,236,381
SEGMENT LIABILITIES	277,884,821	94,789	68,894,654	39,226,266	386,100,530

PHILIPPINE ESTATES CORPORATION
PROPERTY, PLANT AND EQUIPMENT
AS OF MARCH 31, 2016

	Leasehold Improvement	Transportation Equipment	Building, Machinery, Furniture & Fixtures, Office Equipment	TOTAL
<i>Cost</i>				
At January 1, 2016	16,547,307	5,085,686	117,815,278	139,448,271
Additions	-	-	48,036	48,036
Disposals	-	-	-	-
<i>March 31, 2016</i>	<i>16,547,307</i>	<i>5,085,686</i>	<i>117,863,314</i>	<i>139,496,307</i>
<i>Accumulated Depreciation</i>				
At January 1, 2016	16,104,738	3,997,321	71,989,343	92,091,401
Provisions	55,321	86,239	724,893	866,453
Disposals	-	-	-	-
<i>March 31, 2016</i>	<i>16,160,059</i>	<i>4,083,560</i>	<i>72,714,236</i>	<i>92,957,854</i>
<i>Net Book Value</i>				
<i>At January 1, 2016</i>	<i>442,569</i>	<i>1,088,365</i>	<i>45,825,936</i>	<i>47,356,870</i>
<i>March 31, 2016</i>	<i>387,248</i>	<i>1,002,126</i>	<i>45,149,078</i>	<i>46,538,452</i>

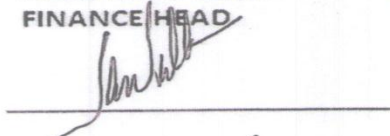
AGING OF RECEIVABLES
AS OF MARCH 2016

PROJECT	NCP	TOTAL PAYMENTS MADE	RECEIVABLE BALANCE	NOT YET DUE	CURRENT	PAST DUE						TOTAL
						1-30	31-60	61-90	91-120	121-180	>180	
PACIFIC GRAND VILLAS PHASE 1B LOT ONLY HOUSE AND LOT <i>* Past Due Ratio</i>	29,350,686 11,152,000 18,206,686	7,119,319 617,600 6,501,719	22,239,366 10,534,400 11,704,966	- - -	- - -	48,179 10,849 37,331 0.00%	43,977 7,228 36,749 0%	43,292 7,116 36,176 0%	42,617 7,005 35,612 0%	69,568 - 69,568 0%	21,355,220 10,534,400 11,291,156 0%	22,239,366 10,534,400 11,704,966 100%
PACIFIC GRAND VILLAS PHASE 1C LOT ONLY HOUSE AND LOT <i>* Past Due Ratio</i>	50,147,666 36,559,642 13,588,024 (0)	31,921,930 26,543,025 5,378,905	18,225,737 10,016,618 8,209,119	17,039,202 9,403,989 7,635,213	170,579 99,086 71,494	48,179 10,849 37,331 0%	43,977 7,228 36,749 0%	43,292 7,116 36,176 0%	42,617 7,005 35,612 0%	69,568 - 69,568 0%	2,626,193 2,626,195 (2) 0%	3,126,728 2,938,742 187,986 3%
PACIFIC GRAND VILLAS PHASE 4A LOT ONLY HOUSE AND LOT <i>* Past Due Ratio</i>	223,508,381 165,076,316 58,432,065	126,919,235 105,859,643 21,059,592	96,589,146 59,216,672 37,372,473	89,086,797 52,063,785 37,023,012	4,375,621 4,214,145 161,475 (0)	61,878 25,036 36,842 0%	38,209 15,433 22,776 0%	610,216 587,440 22,776 0%	23,754 23,754 - 0%	3,271,236 1,132,788 2,138,448 0%	446,422 362,320 84,102 0%	4,451,715 2,146,771 2,304,944 205,252,28%
PACIFIC GRAND VILLAS PHASE 4B LOT ONLY HOUSE AND LOT <i>* Past Due Ratio</i>	62,745,331 32,496,851 30,248,479	35,198,350 25,463,704 9,734,646 0	27,546,981 7,033,147 20,513,833	23,045,289 4,905,057 18,140,232 0	49,977 (18,681) 68,658	61,878 25,036 36,842 0%	38,209 15,433 22,776 0%	610,216 587,440 22,776 0%	23,754 23,754 - 0%	3,271,236 1,132,788 2,138,448 0%	446,422 362,320 84,102 0%	4,451,715 2,146,771 2,304,944 205,252,28%
PACIFIC GRAND TOWNHOMES TOWNHOUSE <i>* Past Due Ratio</i>	5,138,468 5,138,468	4,753,121 4,753,121	385,348 385,348 0	- -	- -	0%	0%	0%	0%	0%	25,581,504 16%	31,219,112 19%
CEBU TOTAL <i>* Past Due Ratio</i>	308,153,201	233,458,936	164,986,577	129,171,288	4,596,177	259,178 0%	210,432 0%	730,020 0%	184,430 0%	4,253,548 3%	25,581,504 16%	31,219,112 19%
CHATEAUX GENIEVA LOT ONLY HOUSE AND LOT <i>* Past Due Ratio</i>	42,035,372 19,300,800 22,734,572	12,980,690 1,915,213 11,065,477 0	29,054,682 17,385,587 11,669,095	- -	- -	- -	- -	- -	- -	- -	580,791 1,135,959 687,922 15,988,950 10,838,756 55,549,976 653,011%	2,941,459 4,708,543 3,451,400 1,257,142 11,669,095 100%
COSTA SMERALDA LOT ONLY HOUSE AND LOT <i>* Past Due Ratio</i>	92,433,948 50,108,698 42,325,250	42,123,489 27,635,151 14,488,338	50,310,460 22,473,547 27,836,912	45,304,448 18,923,698 26,380,750	297,469 98,449 199,020	123,601 60,922 62,679 0%	107,378 68,507 38,871 0%	680,725 642,061 38,664 0%	695,499 657,039 38,461 0%	159,880 118,757 41,123 0%	2,941,459 1,904,115 1,037,343 0%	4,708,543 3,451,400 1,257,142 9%
LILOLO TOTAL <i>* Past Due Ratio</i>	134,469,320	55,104,179	79,565,142	45,304,448	297,469	123,601 0%	107,378 0%	1,190,951 2%	1,276,290 2%	1,295,839 2%	29,769,165 38%	33,763,225 43%
PLASTIC CITY INDUSTRIAL PARK			5,921,254								41,830,750	41,830,750
EMBASSY POINTE			41,830,750								47,752,004	47,752,004
METRO MANILA <i>* Past Due Ratio</i>			47,752,004			0%	0%	0%	0%	0%	47,752,004	47,752,004
GRAND TOTAL <i>* Past Due Ratio</i>	442,622,521	288,563,114	292,103,722	174,475,736	4,893,646	382,779 0%	317,810 0%	1,920,971 1%	1,460,720 1%	5,549,387 2%	103,102,672 35%	112,734,340 39%

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 thereto duly authorized.

Issuer :
Title : **KENNETH T. GATCHALIAN**
 : **PRESIDENT / CEO**
Signature : 
Date : 12 MAY 2016

Principal Financial/Accounting Officer/Controller : **JOCELYN A. VALLE**
Title : **FINANCE HEAD**
Signature : 
Date : 12 MAY 2016

