111142018002252

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000196206
Company Name	SPLASH CORPORATION
Industry Classification	Wholesale Trade And Commission Trade, Except Of Motor Vehicles
Company Type	Stock Corporation

Document Information

Document ID	111142018002252
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
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COVER SHEET

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SEC Registration Number

S P L A S H   C O R P O R A T I O N
A N D   S U B S I D I A R I E S

(Company's Full Name)

5 F   W - O F F I C E   B U I L D I N G   1 1 T H
A V E N U E   C O R N E R   2 8 T H   S T R E E T
B O N I F A C I O   G L O B A L   C I T Y
T A G U I G   C I T Y

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

Mr. FERNANDO M. MANOTOK	(632) 771-4500
(Contact Person)	(Company Telephone Number)

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Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

Not Applicable

(Secondary License Type, if applicable)

Dept. requiring this document

Total Amount of Borrowings

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks : Use BLANK ink for scanning purposes

SEC Number: ASO91196206
File Number: ____

SPLASH CORPORATION

(Company's Full Name)

5th Floor W-Office Building, 11th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

(Company Address)

(632) 771-4500

(Telephone Number)

September 30, 2018

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2018**

2. SEC Identification Number: **ASO91196206**

3. BIR Tax Identification No.: **001-096-221 VAT**

4. Exact name of issuer as specified in its charter: **SPLASH CORPORATION**

5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. **Industry Classification Cod[ ] SEC Use Only)**

7. Address of principal office: **5th Floor W-Office Building, 11th Avenue corner 28th Street, Bonifacio Global City, Taguig City.** Postal Code: **1634**

8. Issuer's telephone number, including area code: **(632) 771-4500**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares, P1.00 Par value	**438,714,056 shares**

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

    Yes [ ] No [X]
    If yes, state the name of such stock exchange and the classes of securities listed therein:

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Splash Corporation
(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries

Condensed Consolidated Interim Financial Statements
September 30, 2018 and 2017 (Unaudited)
and
December 31, 2017 (Audited)

SPLASH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Ang·Hortaleza Corporation)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	420,698,135	585,297,253
Short-term investments	1,200,217,568	1,239,100,067
Receivables (Notes 5)	1,304,102,063	869,000,269
Inventories (Note 6)	473,954,570	567,466,083
Current portion of notes receivable	225,604,577	225,604,577
Other current assets (Notes 7)	139,545,579	93,006,117
Total Current Assets	3,764,122,492	3,579,474,366
Noncurrent Assets		
Notes receivable - net of current portion	3,615,991	17,565,478
Property, plant and equipment (Notes 8)	481,091,712	470,977,695
Investment property	-	160,675,494
Goodwill and other intangible assets (Notes 9)	680,499,434	704,895,754
Available-for-sale (AFS) investments	53,609,000	53,609,000
Deferred income tax assets - net	107,548,586	120,882,379
Other noncurrent assets	29,633,104	25,594,705
Total Noncurrent Assets	1,355,997,827	1,554,200,505
TOTAL ASSETS	5,120,120,319	5,133,674,871

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term bank loans (Note 11)	1,020,843,773	1,028,466,444
Accounts payable and accrued expenses	1,006,352,637	949,123,578
Income tax payable	33,698,269	960,162
Customer's deposit	-	1,853,975
Long-term debt -current portion (Note 11)	247,330,396	281,176,790
Current portion of obligation under finance lease	4,929,659	-
Provisions	49,121,116	16,100,000
Total Current Liabilities	2,362,275,851	2,277,680,949
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 11)	194,070,507	364,019,448
Retirement benefits liabilities - net	192,853,902	175,125,090
Non-current portion of obligation under finance lease	22,077,055	-
Deferred income tax liability and others	32,700,000	32,700,000
Total Noncurrent Liabilities	441,701,464	571,844,538
Total Liabilities	2,803,977,315	2,849,525,487

(Forward)

	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Equity		
Attributable to equity holders of the Company:		
Capital stock	746,160,357	746,160,357
Additional paid-in capital	1,635,776,027	1,635,776,027
Unrealized valuation gain on AFS investments	37,797,100	37,797,100
Cumulative translation adjustments	(93,577,193)	(103,675,915)
Remeasurement losses on net retirement benefit liabilities	(5,889,025)	(5,889,025)
Other equity reserve	(51,749,006)	(51,749,006)
Retained earnings	942,433,434	920,566,247
Treasury stock	(912,700,668)	(912,355,959)
	2,298,251,026	2,266,629,826
Non-controlling interests	17,891,977	17,519,558
Total Equity	2,316,143,003	2,284,149,384
TOTAL LIABILITIES AND EQUITY	5,120,120,319	5,133,674,871

SPLASH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Ang·Hortaleza Corporation)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the nine months ended September 30

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
NET SALES				
Sale of goods	3,160,779,752	3,105,663,302	1,005,343,903	1,044,781,711
Sale of services	124,777,492	54,247,883	43,840,423	17,710,313
	3,285,557,244	3,159,911,185	1,049,184,326	1,062,492,024
COST OF GOODS SOLD AND SERVICES				
Cost of goods	(1,295,327,690)	(1,246,374,327)	(447,064,297)	(392,272,007)
Cost of services	(104,182,165)	(46,895,616)	(37,491,915)	(15,517,747)
	(1,399,509,855)	(1,293,269,943)	(484,556,212)	(407,789,754)
GROSS PROFIT	1,886,047,389	1,866,641,242	564,628,114	654,702,270
SELLING EXPENSES	(1,159,805,487)	(1,159,173,807)	(315,453,779)	(459,146,963)
GENERAL AND ADMINISTRATIVE EXPENSES	(472,947,497)	(473,494,973)	(176,594,618)	(143,841,652)
INTEREST INCOME	45,642,292	45,344,876	13,646,916	15,937,202
INTEREST EXPENSE	(62,148,182)	(64,497,780)	(20,770,569)	(24,011,839)
OTHER CHARGES	(85,712,545)	(46,139,086)	(35,023,701)	6,351,236
INCOME BEFORE INCOME TAX	151,075,971	168,680,472	30,432,364	49,990,254
PROVISION FOR INCOME TAX				
Current	(62,849,324)	(12,963,468)	(21,334,661)	11,162,684
Deferred	(13,333,794)	5,728,314	(24,216,049)	-
	(76,183,118)	(7,235,154)	(45,550,710)	11,162,684
NET INCOME FOR THE PERIOD	74,892,852	161,445,319	(15,118,347)	61,152,938
Net income attributable to:				
Equity holders of the Company	74,520,433	162,714,176	(15,126,907)	61,467,017
Non-controlling interest	372,419	(1,268,858)	8,558	(314,079)
	74,892,852	161,445,318	(15,118,349)	61,152,938
Basic/Diluted Earnings Per Share	0.17	0.37	(0.03)	0.14
OTHER COMPREHENSIVE LOSS				
NET INCOME FOR THE PERIOD	74,892,852	161,445,318	(15,118,349)	61,152,938
Exchange differences on translation of foreign subsidiaries	10,098,722	2,399,480	401,524	636,728
TOTAL COMPREHENSIVE INCOME	84,991,574	163,844,798	(14,716,825)	61,789,666
Total comprehensive income attributable to:				
Equity holders of the Company	84,619,155	165,113,656	(14,725,383)	62,103,744
Non-controlling interest	372,419	(1,268,858)	8,558	(314,078)
	84,991,574	163,844,798	(14,716,825)	61,789,666

SPLASH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Ang·Hortaleza Corporation)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the nine months ended September 30

	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	151,075,971	168,680,471
Adjustments for:		
Depreciation and amortization	74,675,418	101,785,942
Unrealized foreign exchange loss	(2,256,028)	(656,564)
(Gain) Loss on sale of investment	38,247,063	-
Gain on sale of property and equipment	(2,253,497)	(3,122,282)
Retirement benefits liability	17,728,812	21,008,261
Dividend income	-	(73,000)
Provision for uncollectible notes receivables	13,777,956	
Interest expense	62,148,182	64,497,780
Interest income	(45,642,292)	(45,344,876)
Operating income before working capital changes	307,501,584	306,775,732
(Increase)/ Decrease in:		
Receivables	(243,762,075)	(254,877,131)
Inventories	93,511,513	(218,800,245)
Prepaid expenses and other current assets	(46,539,462)	(46,986,267)
Increase in accounts payable and accrued expenses	111,585,633	295,351,330
	222,297,194	81,463,419
Income taxes paid	(67,548,183)	(31,841,290)
Interest received	35,955,236	6,101,852
Net cash flows from operating activites	190,704,246	55,723,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(26,647,533)	(31,794,592)
Acquisition of intangible assets	(4,311,313)	(430,000)
Collection of notes receivable	171,532	180,000
Increase in receivable from related parties	(50,113,277)	-
Dividends received	-	73,000
(Increase) Decrease in short term investment	38,882,499	(1,021,150)
Proceeds from sale of property and equipment	2,363,545	5,580,780
Increase in other non-current assets	660,459	(7,014,098)
Net cash flows used in investing activites	(38,994,088)	(34,426,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury stock	(344,709)	(3,531,961)
Proceeds from availment of Short-Term Loan	1,100,051,753	1,276,973,072
Payments of:		
Long term debt	(207,846,710)	(187,768,521)
Short-term bank loans	(1,107,674,424)	(1,056,451,936)
Interest	(57,875,194)	(58,744,263)
Obligations under finance lease	(2,300,963)	-
Dividends	(52,653,247)	(61,466,001)
Net cash flows used in financing activities	(328,643,494)	(90,989,610)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	12,334,217	2,821,704
NET INCREASE IN CASH AND CASH EQUIVALENTS	(164,599,118)	(66,869,985)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	585,297,253	582,719,393
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	420,698,135	515,849,408

Splash Corporation And Subsidiaries
Consolidated Statement of Changes in Equity
For the Nine Months Ended September 30, 2018 and September 30, 2017(Unaudited)

	Attributable to Equity Holders of the Parent Company										
	Capital Stock	APIC	Unrealized Valuation Gain (Loss) on AFS	Cumulative Translation Adjustment	Remeasurement Loss on Defined Benefit Plan	Equity Reserve	Retained Earnings	Treasury Stock	Total	Non-Controlling Interest	Total
Balances at January 1, 2018	746,160,357	1,635,776,027	37,797,100	(103,675,915)	(5,889,025)	(51,749,006)	920,566,247	(912,355,959)	2,266,629,826	17,519,558	2,284,149,384
Net income (loss) for the period							74,520,434		74,520,434	372,419	74,892,853
Other comprehensive income(loss)				10,098,722	-	-			10,098,722	-	10,098,722
Total comprehensive income	-	-	-	10,098,722	-	-	74,520,434	-	84,619,156	372,419	84,991,575
Transactions with owners											
Dividend Declaration/Payment		-					(52,653,247)		(52,653,247)		(52,653,247)
Acquistion of treasury shares		-						(344,709)	(344,709)		(344,709)
Balances at September 30, 2018	746,160,357	1,635,776,027	37,797,100	(93,577,193)	(5,889,025)	(51,749,006)	942,433,434	(912,700,668)	2,298,251,026	17,891,977	2,316,143,003
Balances at January 1, 2017	746,160,357	1,635,776,027	25,750,100	(104,465,792)	(17,618,622)	(20,820,461)	808,983,458	(908,710,013)	2,165,055,054	13,160,302	2,178,215,356
Net income (loss) for the period							162,714,176		162,714,176	(1,268,858)	161,445,318
Other comprehensive income(loss)				2,399,480	-	-			2,399,480	-	2,399,480
Total comprehensive income	-	-	-	2,399,480	-	-	162,714,176		165,113,656	(1,268,858)	163,844,798
Transactions with owners											
Dividend Declaration/Payment		-					(61,466,001)		(61,466,001)		(61,466,001)
Acquistion of treasury shares		-						(3,531,961)	(3,531,961)		(3,531,961)
Balances at September 30, 2017	746,160,357	1,635,776,027	25,750,100	(102,066,312)	(17,618,622)	(20,820,461)	910,231,633	(912,241,974)	2,265,170,748	11,891,444	2,277,062,192

SPLASH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Ang.Hortaleza Corporation)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General Information

Splash Corporation was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 30, 1991 primarily to develop, manufacture, bottle, pack and market cosmetics and other beauty products, and pharmaceutical products in the Philippines and abroad. Also, the primary purposes of the Company include the development or acquisition of technology to manufacture and sell personal care, pharmaceuticals, food, health, home, household care and other ancillary products in the Philippines and abroad. On November 15, 2007, the Company's shares of stock were listed and traded in the Philippine Stock Exchange (PSE). Its registered address is 5th Floor W-Office Building, 11th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

On July 11, 2016, the Board of Directors (BOD) authorized the delisting of its common shares listed in the PSE and hereby authorized to acquire, through a tender offer all of the publicly-owned common shares of the Company at the price of ₱3.10 per share. The tender offer price was based on the Fairness Opinion and Valuation Report issued by an independent firm duly accredited by the PSE. On October 3, 2016, the PSE approved the Petition for Voluntary Delisting filed by the Company and accordingly ordered the delisting of the Company's shares from the Official Registry of PSE effective as of end of business on October 7, 2016.

The Company is a subsidiary of Ang.Hortaleza Corporation (AHC), a Philippine corporation and the ultimate Parent Company.

2. Basis of preparation

The condensed consolidated interim financial statements for the nine months ended September 30, 2018 has been prepared in accordance with PAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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

The condensed consolidated interim financial statements include the accounts of the Parent Company and its wholly owned subsidiaries Prime Global Distribution Corporation, Splash Foods Corporation, P.T. Splash Cahaya (PTSC), Splash H&B Sdn. Bhd (SHSB), Splash H&B Limited (SHL) and Splash Global Pte. Ltd. (SGPL), PT. Pratama Global Sukses and 83.5% owned Barrio Fiesta Manufacturing Corporation collectively referred to as "the Group". The Company also indirectly owns several subsidiaries (Prime Global GTD Corp. and Prime Global FLD Corp., Moondish Foods Corp., and Splash H&B(U) Ltd. which were consolidated with their respective parent companies, PGDC, SFC and SGPL, respectively. The condensed consolidated interim financial statements are presented in Philippine Peso (Peso), which is the parent Company's functional and presentation currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

3. Changes in Accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements as of September 30, 2018 are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2017, except for the adoption of the following new and amended PFRS and Philippine Interpretations International Financial Reporting Interpretation Committee (IFRIC) interpretations and amendments to existing Philippine Accounting Standards (PAS) which have no significant impact to the financial position and performance of the Group.

Effective in 2016

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*, clarifies the materiality requirements as shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions.

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS, does not affect recognition and measurement, and facilitate enhanced disclosure effectiveness.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*, change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*, clarifies the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity (IE) that measures all of its subsidiaries at fair value.

The amendments are intended to provide helpful clarifications that will assist preparers in applying the standards more consistently.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety.

- Amendment to PFRS 7 *Financial Instruments Disclosures- Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statement*, is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

- PFRS 9, *Financial Instruments* (2014 or final version). In July 2014, the final version of PFRS 9, *Financial Instruments,* was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9.

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

4. Seasonality of Operations

Higher revenues and operating profits are usually expected towards the second quarter and fourth quarter of the year in relation to the number of holidays and events in these periods.

5. Receivables

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade (Note 10)	**₱974,689,448**	₱713,820,209
Non-trade:		
Advances to officers and employees	**11,803,050**	10,586,403
Due from related parties(Note 10)	**310,703,653**	135,590,376
Interest receivable	**38,366,765**	28,679,709
Non-trade receivables	**39,397,916**	43,746,373
	400,271,385	218,602,861
	1,374,960,833	932,423,070
Less allowance for doubtful accounts	**70,858,770**	63,422,801
	₱1,304,102,063	₱869,000,269

Aging analysis of Trade Receivables (gross of allowance) as of September 30, 2018 is as follows:

	Amount on Php000s	% to Total
Philippine Operations		
0 days/current	569,282	62.6%
1-30 days	33,076	3.6%
Over 30 days	40,774	4.5%
Over 60 days	28,528	3.1%
Over 90 days	27,043	3.0%
Over 120 days	102,373	11.3%
Over 360 days	108,673	11.9%
Total Philippine Operations	**909,749**	100%
International		
0 days/current	34,585	53%
1-30 days	24	0%
Over 30 days	2,245	3%
Over 60 days	-	0%
Over 90 days	-	0%
Over 120 days	4,435	7%
Over 360 days	23,652	36%
Total International	**64,940**	100%

Aging analysis of Trade Receivables (gross of allowance) as of September 30, 2017 is as follows:

	Amount on Php000s	% to Total
Philippine Operations		
0 days/current	536,548	73.3%
1-30 days	16,330	2.2%
Over 30 days	20,409	2.8%
Over 60 days	14,298	2.0%
Over 90 days	14,113	1.9%
Over 120 days	105,949	14.5%
Over 360 days	24,234	3.3%
Total Philippine Operations	**731,881**	100%
International		
0 days/current	35,916	60%
1-30 days	147	0%
Over 30 days	-	0%
Over 60 days	95	0%
Over 90 days	-	0%
Over 120 days	23,652	40%
Over 360 days	0	0%
Total International	**59,810**	100%

All accounts over ninety days overdue were reviewed individually to assess its collectability. The assessment showed all accounts which were not provided with allowance for doubtful accounts have payment plans and are therefore still collectible pending resolution of related issues or customer concerns. The management believes that the existing allowance for doubtful accounts in 2018 amounting to ₱70,858,770 is adequate to cover possible uncollected accounts in the future.

6. Inventories

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Finished goods	**₱225,157,743**	₱217,132,456
Work in process	**12,163,949**	9,272,860
Raw materials	**240,507,503**	309,791,704
	477,829,194	567,466,083
Less allowance for inventory obsolescence	**3,874,625**	31,269,063
	₱473,954,570	₱567,466,083

The decrease in allowance is due to write off of ₱27,394,438.

7. Other Current Assets

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Advances to Suppliers	**₱41,536,228**	₱16,052,401
Creditable withholding taxes	**15,821,987**	16,079,824
Supplies inventory	**13,151,155**	11,393,174
Prepaid expenses	**28,540,591**	4,560,603
Prepaid Dues and subscription	-	3,364,295
Current portion of deferred input VAT	**144,211**	2,389,450
Input VAT	**40,351,408**	32,565,608
Others	-	6,600,762
	₱139,545,579	₱93,006,117

Downpayments to suppliers increased due to higher advance payments for raw materials and purchase of services, while input taxes and prepayments also increased in local and international subsidiaries.

8. Property, Plant and Equipment

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Beginning balance -Net	**470,977,695**	500,561,194
Additions	**56,296,869**	51,061,420
Depreciation	**(45,965,661)**	(76,302,640)
Disposals and others	**(217,190)**	(4,342,279)
Ending Balances	**481,091,712**	470,977,695

Additions mainly pertain to upgrade of production facilities, acquisition of machineries, and transportation equipments for Personal Care Business. Computers Servers were also acquired through finance lease.

9. Goodwill and Intangible Assets

The Group's intangible assets consist of the following:

As of September 30, 2018 (Unaudited):

	Goodwill	Patents	Trademarks	Software Costs	Total
Cost					
Beginning balances	435,569,002	300,328,000	212,973,214	77,672,304	1,026,542,520
Additions	-	-	-	4,311,313	4,311,313
Ending balances	435,569,002	300,328,000	212,973,214	81,983,616	1,030,853,832
Accumulated Amortization					
Beginning balances	-	220,169,467	28,689,731	72,738,479	321,597,677
Amortization	-	22,524,600	2,755,580	3,429,576	28,709,757
Ending balances	-	242,694,067	31,445,312	76,168,055	350,307,434
Translation adjustments	-	-	-	(46,963)	(46,963)
Net Book Values	435,569,002	57,633,933	181,527,902	5,768,598	680,499,435

As of December 31, 2017 (Audited):

	Goodwill*	Patents	Trademarks	Software Costs	Total
Cost					
Beginning balances	₱435,569,002	₱300,328,000	₱212,973,214	₱76,557,036	₱1,025,427,252
Additions	-	-	-	1,115,268	1,115,268
Ending balances	435,569,002	300,328,000	212,973,214	77,672,304	1,026,542,520
Accumulated Amortization					
Beginning balances	–	190,131,200	25,015,624	67,349,684	282,496,508
Amortization	–	30,032,800	3,674,107	5,394,085	39,100,992
Ending balances	–	220,164,000	28,689,731	72,743,769	321,597,500
Translation adjustments	–			(49,266)	(49,266)
Net Book Values	₱435,569,002	₱80,164,000	₱184,283,483	₱4,879,269	₱704,895,754

** Includes provisional goodwill arising from MFC acquisition*

10. Related Party Transactions

For the period ended September 30, 2018 (Unaudited):

	Sales	Service Income	Interest Income	Increase (decrease) in due to transactions	Advertising and Promotions
Ultimate Parent Company	₱–	₱–	₱9,669,927	₱134,293,333	₱–
Fellow subsidiaries	55,060,152	124,777,492	32,669,256	–	7,047,000
Related company	₱–	₱–	₱–	₱–	--
Stockholder	–	--	--	40,200,000	–
	₱55,060,152	₱124,777,492	₱42,339,183	₱174,493,333	₱7,047,000

For the year ended December 31, 2017 (Audited):

	Sales	Service Income	Interest Income	Increase (decrease) in due to transactions	Advertising and Promotions
Ultimate Parent Company	₱–	₱–	₱12,893,236	₱35,556,612	₱34,756,612
Fellow subsidiaries	60,277,761	77,306,577	46,804,255	791,296	9,396,000,

	Sales	Service Income	Interest Income	Increase (decrease) in due to transactions	Advertising and Promotions
Related company	₱–	₱–	₱–	(877,171)	--
Stockholder	--	--	--	33,097,232	--
	₱60,277,761	₱77,306,577	₱59,697,491	₱68,567,969	₱44,152,612

The Group has the following account balances with related parties
As of September 30, 2018 (Unaudited):

	Cash and Cash Equivalents	**Trade Receivables**	**Due from Related Parties**	**Interest Receivable**	**Notes Receivable**
Ultimate Parent Company	**₱–**	**₱–**	**₱169,849,945**	**₱38,349,636**	**₱225,604,578**
Fellow Subsidiary	**1,182,966,792**	**383,466,960**	**5,762,047**	**–**	**–**
Stockholder	**–**	**–**	**135,091,660**	**–**	**–**
Total	**₱1,182,966,792**	**₱383,466,960**	**₱310,703,652**	**₱38,349,636**	**₱225,604,578**

As of December 31, 2017 (Audited):

	Cash and Cash Equivalents	Trade Receivables	Due from Related Parties	Interest Receivable	Notes Receivable
Ultimate Parent Company	₱–	₱–	₱35,556,612	₱28,679,709	₱225,604,578
Fellow Subsidiary	1,202,297,536	209,761,656	4,852,785	–	–
Stockholder	–	–	95,180,979	–	–
Total	₱1,202,297,536	₱209,761,656	₱135,590,376	₱28,679,709	₱225,604,578

11. Short-term Bank Loans and Long-term Debt

a. Short-term Bank Loans

The Parent Company's unsecured loans are payable within three to six months from dates of availment and are subject to interest rates of 5% to 5.75% per annum. Outstanding balances amounted to ₱1,020.84 million and ₱1,028.50 million as of September 30, 2018 and December 31, 2017, respectively.

b. Long-term Debt

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Nominal amount - Beginning	**₱640,355,284**	₱914,654,978
Additions	**-**	--
Payments	**(207,846,710)**	(274,299,694)
Unrealized foreign exchange loss	**11,416,500**	9,870,000
Nominal amount - Ending	**443,925,074**	650,225,284
Unamortized debt issue costs	**(2,524,171)**	(5,029,046)
	441,400,903	645,196,238
Less current portion:		
Nominal amount	**249,144,432**	284,308,434
Unamortized debt issue costs	**(1,814,035)**	(3,131,644)
	247,330,396	281,176,790
Noncurrent portion	**₱194,070,507**	₱364,019,448

In August 2016, the Parent Company pre-terminated the balance of the Fixed and Floating Rate Notes amounting to ₱300 million with an average interest rate of 6.75%.

12. Equity

The Board of Directors of Splash Corporation during its meeting on April 26, 2018 approved the setting of record date on April 23, 2018 at the close of business hours and schedule of the Annual Stockholders Meeting on May 25, 2018.

On May 25, 2018, the Board of Directors approved the declaration of cash dividends of Php 0.12 per share, with record date of June 8, 2018 and payment date of June 21, 2018.

13. Income Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The Group's provision for income tax amounting to ₱76,183,118 mainly pertains to RCIT, MCIT and deferred income tax provisions as of September 30, 2018.

14. Segment Reporting

The Group's reportable segments are as follows:

Philippine Operations - sells and markets personal, health and beauty products through distributors located within the Philippines. These also include toll manufacturing services to a related party and payday sale operations.

International Operations - sells and markets personal, health and beauty and food products through foreign distributors located outside the Philippines and through local consolidators located within the Philippines. The foreign distributors include its foreign subsidiaries.

Institutional Sales - is tasked to distribute the Group's product lines such as cosmetics and fragrances through networking groups and business partners. Also includes income from tolling services.

Food Business - sells and markets food products under the brands Barrio Fiesta and Moondish. Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on Net sales and Operating profit or loss. Operating profit is obtained only by deducting operating expenses from gross profit. Finance costs, finance income
and income taxes are managed at the Group level. Segment assets only include receivables and inventories. All other assets are not allocated to the segments as part of information provided to CODM. Segment liabilities are not reported to the CODM.

The Group's segment information is as follows (in thousands):

	For Nine Months Ended September 30, 2018				
	Philippine Operations	International Operations	Institutional Sales	Food Business	Total
Net sales of goods (Notes a and b)	₱2,604,361	₱280,024	₱22,854	₱253,540	₱3,160,780
Service income (Notes a and b)	-	–	124,777	–	124,777
Total	2,604,361	280,024	147,631	253,540	3,285,557
Costs of goods sold and services (Note b)	1,028,819	102,761	118,505	149,425	1,399,510
Gross profit	1,575,542	177,263	29,126	104,115	1,886,047

Operating expenses	**1,079,108**	**94,820**	**9,800**	**112,923**	**1,296,561**
Operating profit (loss) before shared expenses	**496,434**	**82,443**	**19,327**	**(8,808)**	**589,396**
Shared expenses	**270,260**	**53,721**	**2,038**	**10,083**	**336,102**
Operating profit (loss) (Note c)	**₱226,174**	**₱28,723**	**₱17,289**	**(₱18,891)**	**₱253,294**
Segment Assets (Note d):					
Trade receivables (Notes a and b)	**₱830,677**	**₱67,324**	**₱6,918**	**₱69,770**	**₱974,689**
Inventories (Note e)	**290,100**	**75,515**	**67,838**	**44,376**	**477,829**
Total	**₱1,120,777**	**₱142,839**	**₱74,756**	**₱114,146**	**₱1,452,518**

	For Nine Months Ended September 30, 2017				
	Philippine Operations	International Operations	Institutional Sales	Food Business	Total
Net sales of goods (Notes a and b)	₱2,531,685	₱290,563	₱50,703	₱232,712	₱3,105,663
Service income (Notes a and b)	–	–	54,248	–	54,248
Total	2,531,685	290,563	104,951	232,712	3,159,911
Costs of goods sold and services (Note b)	977,715	104,409	83,479	127,667	1,293,270
Gross profit	1,553,970	186,154	21,472	105,045	1,866,641
Operating expenses	1,067,055	86,654	9,154	147,554	1,310,417
Operating profit (loss) before shared expenses	486,915	99,500	12,318	(42,509)	556,224
Shared expenses	250,390	44,471	17,723	9,668	322,252
Operating profit (loss) (Note c)	₱236,525	₱55,029	₱(5,405)	(₱52,176)	₱233,972
Segment Assets (Note d):					
Trade receivables (Notes a and b)	₱663,599	₱55,824	₱9,259	₱63,010	₱791,691
Inventories (Note e)	472,270	74,814	113,763	68,000	728,846
Total	₱1,135,869	₱130,638	₱123,022	₱131,010	₱1,520,537

Notes:

a. Segment revenues and related receivables for the segments are recognized when the goods are delivered to distributors/local consolidators/dealers (for sale of goods) and by reference to the stage of completion (for service income) which are the same revenue recognition being followed and reflected in the consolidated financial statements. The trade receivables are presented at gross of allowance for doubtful accounts.
b. There are no inter-segment sales or transactions. Consequently, the sum of the Philippine operations, international operations, institutional sales and food business segment accounts agrees with the amounts reflected in the consolidated statements of income.
c. Operating profit (loss) is obtained only by deducting operating expenses from gross profit. Other revenue and expenses to arrive at net income such as finance costs, finance income and income taxes are managed at the Group level.
d. Total segment assets include receivables and inventories. All other assets such as cash and cash equivalents, other financial instruments and property, plant and equipment are not allocated to the segments.
e. Inventories are presented at cost; thus, allowance for inventory obsolescence is not deducted from the amounts reported.

15. Financial Risk Management

The Group's principal financial instruments comprise of cash and cash equivalents, notes receivable, advances to ultimate Parent Company, AFS investments and long-term debt. The main purpose of the Group's financial instruments is to fund its brand acquisition, domestic and international operations and capital expenditures. The Group has various other financial assets and liabilities such as trade and other receivables, accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and concentration risk, interest rate risk, equity price risk, foreign currency risk and liquidity risk.
Risk Management Structure

Board of Directors
The BOD is responsible for the overall risk management approach, and reviews and approves the policies for managing each of these risks. The BOD monitors the implementation of its risk management policies through the following:

Executive Management Committee
The Executive Management Committee approves credit risk limits for large exposures, except for directors, officers, stockholders and related interests loans which are approved by the BOD regardless of amount. It approves risk related policies, oversees limits to discretionary authority that the BOD delegates to management. It tackles and manages the different risks inherent in the Group.

Audit Committee
The Audit Committee reviews the Group's policies and practices with respect to risk assessment and risk management and conducts regular discussion with executive management as to the Group's major risk exposures and the steps that need to be taken to monitor and control such exposures.

Financial Risk
Credit Risk and Concentration Risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. Credit risk arises from cash and cash equivalents which are deposited in financial institutions, as well as credit exposure to wholesale and retail customers and distributors.

The Group trades only with recognized, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account the customer's past experience and other factors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Outstanding receivables are mostly from big retail store chains which the Group services directly. Credit lines of these accounts are reviewed on a semi-annual basis. The credit risk on cash and cash equivalents and deposits with banks and financial institutions is limited because the transactions are with reputable local banks and a related party. The maximum exposure to credit risk is represented by the carrying amount of each loans and receivables in the consolidated balance sheets. The Group does not hold collateral as security on the Group's loans and receivables nor provides guaranty.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.
The Group's notes receivable and long-term debt are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months.

The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take. The Group

monitors the interest rate volatility to protect it from spiraling interest costs should interest rates go up.
There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.
The Group has cash and cash equivalents with banks which are subject to prevailing bank interest rates. Changes in interest rates relating to cash equivalents are not expected to change significantly and the Group believes that the effect of the change is not material.

Equity Price Risk
Equity price risk is the risk that the fair value of equities will decrease as a result of changes in the levels of equity indices and value of individual stock. Management believes that the Group's exposure to equity price risk is not significant since the substantial portion of its investments in equity shares is unquoted.

Foreign Currency Risk
The Group has significant exposure to foreign currency exchange risk arising from its exposure to the U.S. dollar rate fluctuation on its trade receivables from export sales and cash and cash equivalents denominated in U.S. dollar. The Group is also exposed on the operations of PTSC (its foreign subsidiary) where transactions are denominated in IDR and NGN. The Group's exposure to other currencies from its other foreign subsidiaries is not yet significant.

It is not considered practical or cost effective at present to use financial instruments or derivatives to manage the Group's exposure to foreign exchange rate fluctuation. Instead, foreign exchange rates are reviewed and monitored periodically by the Group's BOD. The Group maintains U.S. dollar accounts to manage its foreign currency-denominated transactions.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to always maintain a certain level of cash of up to 14 days sales. Receivable monitoring is performed on a daily basis to ensure positive liquidity. Standby credit lines are available from overdraft facilities and omnibus lines provided by banks. Excess funds are deposited in high-interest yield placements with terms of between 7 to 30 days.

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, continue to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure that would reduce the cost of capital.

The Group regularly monitors its use of capital using leverage ratios, such as debt-to-equity ratio, and makes adjustments in the light of changes in economic conditions and its own financial position. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

There have been no changes in the risk management policies during the period and management believes that there are no significant changes in financial risk information that would materially affect the financial condition and results of operations of the Group. Hence, these should be read in conjunction with the group's annual consolidated financial statements as at December 31, 2017.

Fair Value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of September 30, 2018 and December 31, 2017:

	As of September 30, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Millions)		
Financial Assets				
Loans and receivables:				
Notes receivable	₱229.22	₱229.22	₱243.17	₱243.17
Refundable lease and utility deposits	18.08	18.08	13.20	13.20
AFS investments	53.61	53.61	53.61	53.61
Non-financial Asset				
Investment properties	-	-	160.68	175.28
	₱300.91	₱300.91	₱470.66	₱485.26
Financial Liabilities				
Other financial liabilities:				
Long-term debt	₱441.40	₱441.40	₱645.20	₱645.20

Notes receivable
The carrying value of the long-term notes receivable approximates the fair value because of the quarterly repricing of interest rates based on market conditions.

Refundable deposits
The fair value of refundable deposits is determined by discounting the future cash flows using the prevailing rate as of September 30, 2018.

AFS investments
The fair value of quoted equity investments was determined by reference to market bid quotation as of balance sheet date. The fair value of unquoted AFS investments was determined based on the recent sale transaction.

Long-term debt
The carrying value approximates the fair value because of the quarterly repricing of interest rates based on market conditions.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

As of September 30, 2018:

	Level 1	Level 2	Level 3	Total
		(In Millions)		
Financial Assets				
Loans and receivables:				
Notes receivable(ii)	**₱–**	**₱–**	**₱229.22**	**₱229.22**
Refundable lease and utility deposits(ii)	**–**	**–**	**18.08**	**18.08**
AFS investments (i)	**53.61**	**–**	**–**	**53.61**
Non-financial asset				
Investment property (ii)	**–**	**–**	**-**	**-**
	₱53.61	**₱–**	**₱247.30**	**₱300.91**
Financial Liabilities				
Other financial liabilities:				
Long-term debt (ii)	**₱–**	**₱–**	**₱441.40**	**₱441.40**

As of December 31, 2017:

	Level 1	Level 2	Level 3	Total
		(In Millions)		
Financial Assets				
Loans and receivables:				
Notes receivable(ii)	₱–	₱–	₱243.17	₱243.17
Refundable lease and utility deposits(ii)	–	–	13.20	13.20
AFS investments (i)	53.61	–	–	53.61
Non-financial asset				
Investment property (ii)	–	–	175.28	175.28
	₱53.61	₱–	431.65	₱485.26
Financial Liabilities				
Other financial liabilities:				
Long-term debt (ii)	**₱–**	**₱–**	**₱645.20**	**₱645.20**

In 2018 and 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 measurements.

Since valuation of fair value of AFS investments are done only at year end, there is no gain or loss recognized as of September 30, 2018.

<u>Financial Assets and Financial Liabilities</u>

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Initial recognition and classification of financial instruments

All financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset), or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of September 30, 2018 and 2017, the Group has no financial instruments classified as at FVPL and HTM investments.

Determination of fair value
The fair value of financial instruments that are actively traded in organized financial market is determined by reference to quoted market bid prices (bid prices for long positions and asking prices for short positions without any deduction for transaction cost) at the close of business at the balance sheet date. When the current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments and all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include the use of recent market transactions between knowledgeable and willing parties in an arm's length transactions, net present value techniques, comparison to similar instrument for which market observable prices exist and other relevant valuation models.

16. Other Explanatory Notes

Unusual Items - During the current interim period, there are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

Changes in estimates or amounts reported in prior periods - There are no changes in estimates or amounts reported in prior interim periods or prior financial years that would have a material effect in the current interim period

Material events - Material events, if any, subsequent to the end of the prior interim period are reflected in the financial statements for the current interim period.

Earnings per Share (EPS) - EPS is determined by dividing net income by the weighted average number of shares issued and outstanding, after giving retroactive adjustments for any stock split and stock dividends or reverse stock splits during the year. The Company does not have dilutive potential common shares.

	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
Net income (loss)	₱74,520,433	₱162,714,176
Weighted average number of shares	438,775,056	439,632,638
Earnings per share	₱0.17	₱0.37

17. Other events subsequent to September 30, 2018

Other than those already disclosed in the appropriate sections, there were no subsequent events requiring disclosure.

PART I – FINANCIAL INFORMATION

Splash Corporation
(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries

Management's Discussion and Analysis of
Financial Condition and Results of Operations
September 30, 2018

Item 2. Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations

The MD&A should be read in conjunction with our unaudited financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (₱) unless otherwise stated.

Additional information about the Company can be found on our corporate website www.splash.com.ph.

FINANCIAL CONDITION

As of September 30, 2018, the Group's total assets slightly decreased by 0.26% compared to December 31, 2017 mainly due to decrease in inventories and investment property. Similarly, total liabilities decreased by 3.23% mainly due to decrease in long term debts.

The current ratio as of September 30, 2018 at 1.59 and the debt to equity ratio at 1.21 continued to be better than the requirements set in our Loan Facility Agreements which mandates a current ratio of at least 1.0 and debt-to-equity ratio of not more than 2.0 to 3.0 until the Notes/Loans are fully settled. The agreements also required the maintenance of a debt service coverage ratio of at least 1.0 to 1.75 based on the latest audited financial statements (FS). The latest audited FS showed a debt service coverage ratio of 2.33.

KEY PERFORMANCE INDICATORS (KPI)

The Group uses the following key performance indicators to track performance and achievement of standards set year on year.

KPI	CALCULATION	PERFORMANCE ACHIEVEMENT (in millions)	
		YTD Sept 2018	YTD Sept 2017
CONSOLIDATED NET SALES	Includes sales of the Company and its subsidiaries net of applicable discounts and valid returns from customers.	₱3,286	₱3,168
NEW PRODUCT SALES	Sales of new products launched during the period under review.	46	11
EBITDA	Computed as Operating Income plus Amortization and Depreciation in order to provide an immediate indication of the Company's ability to generate cash flows from operations, incur and service debt, finance capital expenditures (CAPEX) and working capital changes.	328	335

NET INCOME AFTER TAX	Income before tax minus provision for Income Tax	**₱75**	**₱161**

The following are key performance indicators (KPI's) of the parent company and its majority-owned local subsidiaries:

KPI	SPLASH CORPORATION		PRIME GLOBAL and SUBSIDIARIES		BARRIO FIESTA MANUFACTURING CORP	
	YTD SEPT 2018	YTD SEPT 2017	YTD SEPT 2018	YTD SEPT 2017	YTD SEPT 2018	YTD SEPT 2017
NET SALES	₱2,976.41	₱2,862.67	₱333.62	₱345	₱251.93	₱226.20
EBITDA	248.42	266.25	18.71	52.97	1.52	3.35
NET INCOME (LOSS) AFTER TAX	₱121.09	₱157	₱10.76	₱47.90	₱(6.79)	₱ (15.96)

The KPI's of other subsidiaries (P.T. Splash Cahaya, Splash H&B SDN BHD in Malaysia, Splash H&B Limited, Splash Global PTE. LTD.), are not yet significant and already formed part of the consolidated KPI's.

NET SALES

Net Sales for the three quarters amounted to ₱3,286 million pesos which is higher by 3.98% than last year.

NEW PRODUCT SALES

New products introduced as of September 2018 are as follows:

- Vitress Hair Freshener 50ml
- SkinWhite MoistureWht Lot SPF16 100MLX48
- SkinWhite MoistureWht Lot SPF16 200MLX24

MARKET SHARES OF CORE BRANDS

Presented below is the market share of our top product category:

Product Category	Total Philippines – Volume % Share
Exfoliant	Splash retained its position as the leading local face care manufacturer as of Q3 2018. The Exfoliant Category continued to grow and this was driven by Maxi-Peel Exfoliant Solutions and Maxi-Peel Zero which registered volume growth of 9% and 68% respectively as of Q3 YTD as read by Kantar
Whitening	Splash remains be to the leader in the Whitening lotion category at 30% value share (Skinwhite, the leading whitening lotion brand with 25% market share while Flawlessly U captured 5% market share) followed by Silka(18%) and Nivea (16%) as of MAT Sept 2018 Kantar data.

	Drilling down to scientific whitening, SkinWhite is again the leading brand with 32% market share followed by Nivea at 23%.
Hair and New Markets Category	Hygienix is the fastest growing germicidal soap brand and has already penetrated 3.3% of total household population. If Hygienix maintains its performance in Q4 of 2018, its on track to almost double its penetration to 6.1% of total household population and 1% market share for Full Year 2018.

RESULTS OF OPERATION

	For Period Ended September 30			Cost to Sales Ratio	
	2018	2017	**% Change**	**2018 YTD**	**2017 YTD**
Net Sales	**3,285,557,244**	3,159,911,185	3.98%	100.00%	100.00%
Cost of goods sold	**(1,399,509,855)**	(1,293,269,944)	8.21%	-42.60%	-40.93%
Gross profit	**1,886,047,389**	1,866,641,242	1.04%	57.40%	59.07%
Operating expenses	**(1,632,752,984)**	(1,632,668,780)	0.01%	-49.69%	-51.67%
Operating Income	**253,294,405**	233,972,462	8.26%	7.71%	7.40%
Interest income	**45,642,292**	45,344,876	0.66%	1.39%	1.44%
Interest expense	**(62,148,182)**	(64,497,780)	-3.64%	-1.89%	-2.04%
Other charges	**(85,712,545)**	(46,139,086)	85.77%	-2.61%	-1.46%
Net income before tax	**151,075,971**	168,680,471	-10.44%	4.60%	5.34%
Income tax	**(76,183,118)**	(7,235,154)	952.96%	-2.32%	-0.23%
Net income after tax	**74,892,852**	161,445,318	-53.61%	2.28%	5.11%
Earnings per share	**0.17**	0.37	-54.10%	0.00%	0.00%

Explanation for variances of 5% (+ or -):

Increase in cost of goods sold mainly pertain to increase in sales volume and product mix.

Increase in Other Charges is mainly attributable to loss on sale of investment due to reversal of fair value adjustment.

Income tax increased due to increase in tax provisions, current and deferred.

EBITDA

	September 2018 YTD	September 2017 YTD	Dec 2017 YTD
Net Operating Income	**253,294,405**	233,972,462	241,406,393
Depreciation and Amortization	**74,675,418**	101,785,942	130,010,495
EBITDA	**327,969,823**	335,758,404	371,416,888

Changes in net operating income and depreciation are also discussed below

NET INCOME AFTER TAX

Net income after tax for the three quarters amounting to ₱75 million, was a decrease of 53.61% over ₱161 million net income for the same period last year mainly due to loss of sale of investments property with fair value adjustment, and increase in tax provisions.

Non-cash operating expenses consist of:

	September 2018 YTD	September 2017 YTD	Dec 2017 YTD
Depreciation and Amortization	**74,675,418**	101,785,942	130,010,495

Financial Ratios

	September 2018	December 2017
Current ratio	1.59	1.57
Debt to Equity ratio	1.21	1.25
Asset to Equity Ratio	2.21	2.25
Return on Sales	2.28%	4.17%
Return on Equity	3.23%	7.61%
Solvency Ratio (1)	182.60%	180.16%
Debt Service Coverage Ratio (2)	2.33	2.33
Interest Rate Coverage Ratio (3)	4.63	5.76

(1) Solvency Ratio = Total Assets/Total Liabilities
(2) Debt Service Coverage Ratio = (Beginning cash plus net cash from operating activities)/(Interest expense plus current portion of long-term debt)(based on latest audited FS)
(3) Interest Rate Coverage Ratio = (Net income before tax plus depreciation and amortization plus interest expense)/Interest expense

FINANCIAL CONDITION

	As of September 30		% Change	% of Total Assets / Liabs & Equity	
	2018	2017		As of 9/30/18	As of 9/30/17
ASSETS					
Current Assets					
Cash and cash equivalents	420,698,135	515,849,407	-18.45%	8%	10%
Short-term Investments	1,200,217,568	1,156,544,315	3.78%	23%	22%
Receivables - net	1,304,102,063	945,364,290	37.95%	25%	18%
Inventories - net	473,954,570	717,161,739	-33.91%	9%	14%
Current portion of notes receivable	225,604,577	225,604,577	0.00%	4%	4%
Other current assets	139,545,579	140,651,265	-0.79%	3%	3%
Total Current Assets	3,764,122,492	3,701,175,593	1.70%	74%	71%
Non-Current Assets					
Notes receivable - net of current portion	3,615,991	17,595,478	-79.45%	0%	0%
Property, plant and equipment - net	481,091,712	454,054,278	5.95%	9%	9%
Investment Property	-	110,691,159	-100.00%	0%	2%
Available for sale investments	53,609,000	41,562,000	28.99%	1%	1%
Intangible assets	680,499,434	716,711,737	-5.05%	13%	14%
Deferred income tax assets	107,548,586	118,056,748	-8.90%	2%	2%
Other non-current assets	29,633,104	85,839,327	-65.48%	1%	2%
Total Non-Current Assets	1,355,997,827	1,544,510,727	-12.21%	26%	29%
TOTAL ASSSETS	5,120,120,319	5,245,686,320	-2.39%	100%	100%
LIABILITIES AND EQUITY					
Current Liabilities					
Short-term bank loans	1,020,843,773	949,223,337	7.55%	20%	18%
Accounts payable and accrued expenses	1,039,373,754	1,031,429,185	0.77%	20%	20%
Income tax payable	33,698,269	141,089	23784.47%	1%	0%
Long-term debt - current portion	247,330,396	281,382,219	-12.10%	5%	5%
Current portion of obligation under finance lease	4,929,659	-	100.00%	0%	0%
Provisions	16,100,000	34,621,117	-53.50%	0%	1%
Total Current Liabilities	2,362,275,851	2,296,796,946	2.85%	46%	44%
Non-current liabilities					
Long-term debt - net of current portion	194,070,507	454,932,834	-57.34%	4%	9%
Retirement benefits liability	192,853,902	184,194,347	4.70%	4%	4%
Non-current portion of obligation under finance lease	22,077,055	-	100.00%	0%	0%
Deferred Income Tax Liability	32,700,000	32,700,000	0.00%	1%	1%
Total Non-Current Liabilities	441,701,464	671,827,181	-34.25%	9%	13%
Total Liabilities	2,803,977,315	2,968,624,127	-5.55%	55%	57%
Equity					
Attributable to equity holders of the Company:					
Capital Stock	746,160,357	746,160,357	0.00%	15%	14%
Additional paid-in capital	1,635,776,027	1,635,776,027	0.00%	32%	31%
Unrealized valuation gain (loss) on available-for-sale financial assets	37,797,100	25,750,100	46.78%	1%	0%
Cumulative translation adjustment	(93,577,193)	(102,066,312)	-8.32%	-2%	-2%
Remeasurement losses on net retirement benefit liabilities	(5,889,024)	(17,618,622)	-66.58%	0%	0%
Other equity reserve	(51,749,006)	(20,820,461)	148.55%	-1%	0%
Treasury stock	(912,700,668)	(912,241,974)	0.05%	-18%	-17%
Retained earnings	942,433,434	910,231,633	3.54%	18%	17%
	2,298,251,028	2,265,170,748	1.46%	45%	43%
Non-controlling interest	17,891,976	11,891,445	50.46%	0%	0%
Total Equity	2,316,143,004	2,277,062,193	1.72%	45%	43%
TOTAL LIABILITIES AND EQUITY	5,120,120,319	5,245,686,320	-2.39%	100%	100%

Explanation of accounts with 5% (+ or -) variance:

Cash and cash equivalents decreased by 18.45% vs 2017 due to decrease in investible funds.

Receivables increased by 37.95% due to increase in trade and nontrade receivables.

Lower inventory levels in current year is mainly due to build up of inventories for last quarter of the year in 2017.

Investment properties were sold during the year.

Increase in available for sale is due to change in its fair value.

Decrease in other non-current assets mainly due to decrease in creditable withholding tax.

Short-term bank loans increased due to availments.

Provisions decreased because of tax settlements in 2017.

As a percent to total assets or total liabilities the significant changes were as follows:

For the same reasons stated above, cash and cash equivalents, short term investments, fixed assets, accounts payable, and notes payable accounts increased or decreased by more than two percentage points.

OTHER MATTERS

Any known trends, demands, commitments, events or uncertainties that will have a material effect on the issuer's liquidity increasing or decreasing in any material way

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Event(s) that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation

The Corporate Notes Facility Agreement, provides among other terms and conditions, that for as long as the Note is outstanding, the Company is subject to negative covenants requiring prior written approval of the Note Holders for specific acts, such as:

- Materially changing the nature of its business;
- Changing majority ownership, voting control, or entering into Management Contracts or similar arrangements, which will materially and adversely affect the Company's ability to perform its obligations;
- Entering into merger or consolidation except when the Company is the surviving corporation;
- Granting of loans of advances to or investment in/with its directors, officers, stockholders and their related persons except those made in the ordinary course of business;

- Creation of a lien with respect to any of its properties;
- Sale, lease, transfer of all or substantially all of its assets;
- Purchase or guarantee indebtedness;
- Prepayment or repurchase of any long term indebtedness (other than the notes) pursuant to a provision on acceleration of payment;
- Declaration of Dividends when any sum due to the Note Holders is in arrears or if the Company is in default;
- Incurring additional loans with maturity exceeding one year;
- Purchase, redeem, retire or otherwise acquire for value any of its capital stock;
- Declare management bonuses or profit sharing over and above existing employee benefits;
- Enter into related party transactions that are not at arms' length;
- Permit ownership in subsidiaries to fall below 50%, or permit loss of management control;
- Acquire, undertake or invest in non-allied business;

The new loan facilities generally requires the Company to maintain the following financial ratios:

CURRENT RATIO	AT LEAST 1.0X
DEBT TO EQUITY RATIO	NOT MORE THAN 2.0X TO 3.0X
DEBT SERVICE COVERAGE RATIO	AT LEAST 1.0X TO 1.75X

As of September 30, 2018, the Group continues to be compliant with the above requirements.

Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company within consolidated entities or other persons created during the reporting period

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and or other relationships of the Company within consolidated entities or other persons created during the reporting period.

Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures

For 2018, the CAPEX budget is ₱113.38 million, allocated as follows:

Splash Corporation	₱89.93
Prime Global Distribtuion Corporation	18.33
Splash Nutritionals Corporation	5.12
TOTAL	₱113.38

The expected source of funds for such expenditures will come from borrowings and internally generated funds.

Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/income from continuing operations

The company produces and markets fast-moving consumer goods so that the most significant risk that it faces is inflation. Food items comprise about half of the basket of goods, with personal care items accounting for roughly 40% at most. With inflation, consumption will skew to the more essential items, with consumers postponing or even foregoing the purchase of non-essentials including personal care products.

In addition, inflation exerts upward pressures on product inputs as well as on operating costs. As prices are not normally automatically adjusted in line with production and operating costs, profit margins may decline.

Significant elements of income or loss that did not arise from the issuer's continuing operations

All of the Company's income/earnings are from its continuing operations.

Causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

Significant changes in the Company's financial statements are explained or disclosed in previous sections of this report and likewise in the accompanying notes to financial statements.

Seasonal aspects that had a material effect on the financial condition or results of operations

Sales in the early months of the year, particularly January, tend to be lower due to the December inventory build-up at the trade and distributor levels (for the high consumer demand during the holiday season.) However, sales begin to increase in February and peaks in May when traditional summer events (fiestas and festivals) occur. Demand normally declines during the third quarter as a result of the wet/typhoon season. This lower demand is more evident in rural or agricultural areas where farmers wait for harvest. Demand then rises in the 4th quarter with harvest and the holiday season.

PART II – OTHER INFORMATION

Splash Corporation
(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries

Legal, Regulatory and Corporate Developments
September 30, 2018

MAJOR STOCKHOLDERS

As of September 30, 2018, there are 216 holders of common shares. The top twenty (20) stockholders and the number and percentage of total shares outstanding held by each are as follows:

LIST OF TOP 20 STOCKHOLDERS

Rank	Name	Number of Shares Held	Percent to Total Outstanding
1	Ang Hortaleza Corporation	435,888,888	99.36%
2	Chua Co Kiong Benito N.	600,000	0.14%
3	BPI Securities Corp. FAO Jireh De Guzman Sanico And/Or Aileen Porcioncula Sanico	334,000	0.08%
4	PCD Nominee Corp.(Fil.)	153,788	0.04%
5	Adelaida Zita Reyes Carlos	150,000	0.03%
6	Miguel Ong Pineda	126,000	0.03%
7	Nelly Uy Yu	110,000	0.03%
8	David L. Kho	110,000	0.03%
9	Rosita T. Tan	100,000	0.02%
10	H.e. Bennett securities, inc.	75,000	0.02%
11	Edwin Pineda Ong	50,000	0.01%
12	Pan Malayan Management & Investment Corporation	50,000	0.01%
13	Kho David Limqueco	50,000	0.01%
14	Guillermo F. Gili, Jr.	48,000	0.01%
15	BPI Securities Corp. FAO Red Dela Paz Catacutan	45,000	0.01%
16	Oliver Wendell T. Go	42,000	0.01%
17	SB Equities Inc. Fao 1VERL01	35,000	0.01%
18	BPI Securities Corp. FAO Fulgencio S. Factoran Jr.	30,000	0.01%
19	Celia D. Orbeta	30,000	0.01%
20	BPI Securities Corp. FAO Noriel D. Catipon	28,000	0.01%

BOARD OF DIRECTORS

As of September 30, 2018, the members of the Board of Directors of Splash Corporation are as follows:

Name	Position
Rolando B. Hortaleza, M.D.	Chairman and Chief Executive Officer
Rosalinda A. Hortaleza, M.D.	Director
Jimmy T. Yaokasin, Jr.	Vice Chairman, Independent Director
Ricardo R. Blanco	Director
Maurice P. Ligot	Director
Emily A. Abrera	Independent Director
Veneranda M. Tomas	President and Chief Operating Officer, Director

EXECUTIVE OFFICERS

As of September 30, 2018, the executive officers of Splash Corporation are as follows:

Name	Position
Rolando B. Hortaleza, M.D.	Chairman and Chief Executive Officer
Veneranda M. Tomas	President & Chief Operating Officer
Fernando M. Manotok	EVP, Chief Financial Officer
Vincent Ace V. Villa-real	SVP, GM for International Operations & Foods
Marco Manuel B. Nieto	SVP, GM for Philippine Operations & Distribution
Ma. Chantelle C. Batac	SVP, Human Resources and Administration
Joseph C. Bautista	VP, Comptrollership
Lynneth P. Malabanan	VP, Corporate Quality and Technology Development
Alan L. Alcantara	VP, Manufacturing Operations

SIGNATURE

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

Issuer **SPLASH CORPORATION**

By: **FERNANDO M. MANOTOK**
EVP, Chief Financial Officer

Date: November 14, 2018