

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FROM 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, 2011  
2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

A. SORIANO CORPORATION

4. Exact name of issuer as specified in its charter

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 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City  
Postal Code

- 8190251  
8. Issuer's telephone number, including area code

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
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<u>Common</u>	<u>2,500,000,000</u>
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [ x ] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

Common

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

#### PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents


#### PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

#### SIGNATURES

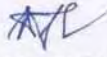
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title:  (Sgd.) JOSHUA CASTRO  
Asst. Corporate Secretary

Date: November 14, 2011

Principal Financial/Accounting Officer/Controller:  
Signature and Title

  
(Sgd.) NARCISA M. VILLAFLORES  
VP – Comptroller

Date: November 14, 2011

SECForm17-Q  
November 14, 2011

## SEC FORM 17 – Q

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## A. SORIANO CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	2011	2010
	September 30	December 31
	(Note 1)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	611,048	2,188,124
Fair value through profit and loss (FVPL) investments	630,988	817,657
Receivables	340,970	230,447
Inventories	65,453	15,909
Prepayments and other current assets	64,488	66,280
<b>Total Current Assets</b>	<b>1,712,947</b>	<b>3,318,417</b>
<b>Noncurrent Assets</b>		
Available for sale (AFS) investments	7,674,241	6,213,533
Investments and advances	669,058	942,753
Investment properties	216,432	260,483
Property, plant and equipment	904,636	143,178
Goodwill	612,704	510,905
Other noncurrent assets	34,503	41,034
<b>Total Noncurrent Assets</b>	<b>10,111,574</b>	<b>8,111,886</b>
<b>TOTAL ASSETS</b>	<b>11,824,521</b>	<b>11,430,303</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable	140,168	64,394
Accounts payable and accrued expenses	289,752	257,441
Dividends payable	134,856	134,856
Income tax payable	1,592	3,618
Current portion of long-term debt	11,522	10,960
<b>Total Current Liabilities</b>	<b>577,891</b>	<b>471,269</b>
<b>Noncurrent Liabilities</b>		
Advances from customer	-	22,142
Long-term debt – net of current portion	89,880	10,960
Deferred revenues	79,770	80,143
Deferred income tax	40,459	8,228
Retirement benefits payable	33,138	23,343
<b>Total Noncurrent Liabilities</b>	<b>243,247</b>	<b>144,815</b>
<b>Total Liabilities</b>	<b>821,137</b>	<b>616,084</b>

	<b>2011</b>	2010
	<b>September 30</b>	December 31
	(Note 1)	
<b>Equity Attributable to Equity Holdings of the Parent</b>		
Capital stock - 1 par value	<b>2,500,000</b>	2,500,000
Additional paid-in capital	<b>1,574,104</b>	1,574,104
Unrealized valuation gains on AFS investments	<b>1,998,960</b>	2,650,947
Cumulative translation adjustment	<b>(67,166)</b>	(68,240)
Equity reserve on acquisition of minority interest	<b>(26,357)</b>	(26,357)
Other Reserve	<b>1,603</b>	-
Retained earnings	<b>6,549,238</b>	5,972,638
	<b>12,530,382</b>	12,603,092
Less cost of shares held by a subsidiary	<b>1,834,349</b>	1,827,024
	<b>10,696,033</b>	10,776,067
<b>Noncontrolling interests</b>	<b>307,351</b>	38,151
<b>Total Equity</b>	<b>11,003,384</b>	10,814,219
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,824,521</b>	11,430,303

**Note1: Included line by line consolidation of assets and liabilities of Seven Seas Resorts and Leisure, Inc. as of September 30, 2011.**

## A. SORIANO CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2011 (Note 2)	2010	2011	2010
<b>REVENUES</b>				
Services	860,833	633,896	298,518	200,256
Hotel revenues	260,759	-	92,879	-
Dividend income	180,844	106,033	1,790	16,877
Interest income	87,385	76,277	24,284	25,092
Equity in net earnings of associates	71,605	90,270	21,055	25,034
Management fee	27,256	26,056	8,604	9,037
	<b>1,488,682</b>	<b>932,533</b>	<b>447,131</b>	<b>276,296</b>
<b>INVESTMENT GAINS</b>				
Gain on sale of AFS investments	547,017	1,385,490	79,517	673,013
Gain on sale of investment properties	39,886	-	-	-
Gain (loss) on increase (decrease) in market values of FVPL investments	(12,614)	26,597	(11,598)	23,009
	<b>574,289</b>	<b>1,412,087</b>	<b>67,919</b>	<b>696,022</b>
	<b>2,062,971</b>	<b>2,344,620</b>	<b>515,049</b>	<b>972,318</b>
Cost of services rendered	(752,965)	(505,353)	(249,648)	(164,891)
Operating expenses	(518,553)	(280,217)	(192,346)	(81,063)
Foreign exchange loss	(16,325)	(70,417)	(12,256)	(30,064)
Interest expense	(3,363)	(12,948)	26	(2,221)
Recoveries (valuation allowances) -net	8,354	(392)	1,703	(392)
Other income (expense)	12,654	2,839	(5,887)	(729)
	<b>(1,270,199)</b>	<b>(866,487)</b>	<b>(458,408)</b>	<b>(279,360)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>792,772</b>	<b>1,478,133</b>	<b>56,641</b>	<b>692,959</b>
<b>Provision for (benefit from) income tax - net</b>	<b>66,834</b>	<b>494</b>	<b>42,960</b>	<b>(23,658)</b>
<b>NET INCOME</b>	<b>725,938</b>	<b>1,477,639</b>	<b>13,681</b>	<b>716,617</b>
Attributable to:				
<b>Equity holdings of the parent</b>	<b>732,786</b>	<b>1,472,698</b>	<b>24,382</b>	<b>715,268</b>
Minority interest	(6,849)	4,941	(10,702)	1,348
	<b>725,938</b>	<b>1,477,639</b>	<b>13,681</b>	<b>716,617</b>
<b>EARNINGS PER SHARE - basic, for net income attributable to equity holdings of the parent</b>	<b>0.56</b>	<b>1.13</b>	<b>0.02</b>	<b>0.55</b>

**A. SORIANO CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In Thousand Pesos)

	Periods Ended		Quarters Ended	
	September 30		September 30	
	2011			
	(Note 2)	2010	2011	2010
<b>NET INCOME FOR THE PERIOD</b>	<b>725,938</b>	1,477,639	324,926	716,617
<b>OTHER COMPREHENSIVE INCOME</b>				
Gain (loss) on increase (decrease) in market value of AFS investments	<b>(706,122)</b>	1,510,380	(337,134)	224,149
Cumulative translation adjustments	<b>1,074</b>	(34,496)	6,616	(36,754)
Income tax effect	<b>54,135</b>	(6,002)	49,804	(22,238)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(650,913)</b>	1,469,882	(280,713)	165,156
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>75,025</b>	2,947,521	44,212	881,772

*Note 2: Included line by line consolidation of revenue and expense accounts of Seven Seas Resorts and Leisure, Inc. effective March 1, 2011.*

## A. SORIANO CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousand pesos)

	Attributable to equity holders of the parent									
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest	Other Reserve	Unrealized Valuation Gains (Loss) on AFS Investments	Cumulative Translation Adjustment	Retained Earnings	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2009	2,500,000	1,574,104	(26,357)	-	656,731	(30,974)	4,297,532	(1,517,163)	35,926	7,489,799
Total comprehensive income for the period	-	-	-	-	1,504,378	(34,496)	1,472,698	-	4,941	2,947,521
Cash dividends –net of dividends on common shares held by a subsidiary amounting to P106.0 million	-	-	-	-	-	-	(144,048)	-	-	(144,047)
Share repurchased during the period	-	-	-	-	-	-	-	(309,591)	-	(309,591)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	340	340
<b>Balance at 09/30/2010</b>	<b>2,500,000</b>	<b>1,574,104</b>	<b>(26,357)</b>	<b>-</b>	<b>2,161,109</b>	<b>(65,470)</b>	<b>5,626,181</b>	<b>(1,826,754)</b>	<b>41,207</b>	<b>9,105,669</b>
Balance at 12/31/2010	2,500,000	1,574,104	(26,357)	-	2,650,947	(68,240)	5,972,638	(1,827,024)	38,151	10,814,219
Total comprehensive income (loss) for the period	-	-	-	-	(651,987)	(1,074)	732,786	-	(6,849)	75,025
Cash dividends- net of dividends on common shares held by a subsidiary amounting to P143.8 million	-	-	-	-	-	-	(156,186)	-	-	(156,186)
Share repurchased during the period	-	-	-	-	-	-	-	(7,324)	-	(7,324)
Acquisition of noncontrolling interest	-	-	-	1,603	-	-	-	-	275,601	277,204
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	447	447
<b>Balance at 09/30/2011</b>	<b>2,500,000</b>	<b>1,574,104</b>	<b>(26,357)</b>	<b>1,603</b>	<b>1,998,960</b>	<b>(67,166)</b>	<b>6,549,238</b>	<b>(1,834,349)</b>	<b>307,351</b>	<b>11,003,384</b>

**A. SORIANO CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In Thousand Pesos)**

	Periods Ended		Quarters Ended	
	2011 (Note 3)	2010	2011 (Note 3)	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	<b>792,772</b>	1,478,133	<b>56,641</b>	692,959
Adjustment for:				
Depreciation and amortization	<b>76,749</b>	40,585	<b>29,773</b>	13,712
Foreign exchange loss	<b>16,325</b>	70,417	<b>12,256</b>	30,064
Loss (gain) on decrease (increase) in market values of FVPL investments	<b>12,614</b>	(26,597)	<b>11,598</b>	(23,009)
Interest expense	<b>3,363</b>	12,948	<b>(26)</b>	2,221
Gain on sale of AFS investments	<b>(547,017)</b>	(1,385,490)	<b>(79,517)</b>	(673,013)
Dividend income	<b>(180,844)</b>	(106,033)	<b>(1,790)</b>	(16,877)
Interest income	<b>(87,385)</b>	(76,277)	<b>(24,284)</b>	(25,092)
Equity in net earnings of associates	<b>(71,605)</b>	(90,270)	<b>(21,055)</b>	(25,034)
Gain on sale of investment properties	<b>(39,886)</b>	-	-	-
Valuation allowances (recoveries) - net	<b>(8,354)</b>	392	<b>(1,703)</b>	392
Gain from fair value adjustment on net assets of acquired subsidiary	<b>(4,880)</b>	-	-	-
Operating loss before working capital changes	<b>(38,147)</b>	(82,193)	<b>(18,107)</b>	(23,678)
Decrease (increase) in:				
FVPL investments	<b>174,803</b>	(50,382)	<b>50,546</b>	(158,524)
Receivables	<b>(81,146)</b>	(922,913)	<b>(60,170)</b>	(930,187)
Inventories	<b>(1,648)</b>	(4,169)	<b>12,901</b>	(1,834)
Increase (decrease) in:				
Accounts payable and accrued expenses	<b>(107,871)</b>	(8,145)	<b>(9,377)</b>	(6,471)
Retirement benefits payable	<b>(4,973)</b>	-	<b>740</b>	-
Advances from customers	<b>(22,142)</b>	(2,400)	<b>(192)</b>	(3,019)
Net cash used in operations	<b>(81,123)</b>	(1,070,202)	<b>(23,659)</b>	(1,123,714)
Dividend received	<b>226,444</b>	138,033	<b>1,790</b>	16,877
Interest received	<b>87,149</b>	73,595	<b>24,313</b>	23,488
Interest paid	<b>(3,363)</b>	(12,948)	<b>26</b>	(2,221)
Income taxes paid	<b>(24,122)</b>	(4,352)	<b>(6,806)</b>	(3,321)
Net cash flows from (used in) operating activities	<b>204,984</b>	(875,874)	<b>(4,336)</b>	(1,088,891)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of subsidiary, net of cash acquired	<b>(141,759)</b>	-	-	-
Proceeds from the sale of:				
AFS investments	<b>2,889,257</b>	4,199,614	<b>808,431</b>	2,146,950
Investment properties	<b>111,455</b>	-	-	-
Addition to:				
AFS investments	<b>(4,515,752)</b>	(2,373,663)	<b>(1,374,086)</b>	(790,479)
Property and equipment	<b>(118,518)</b>	(12,325)	<b>(49,805)</b>	(6,131)
Investments properties	-	(2,204)	-	-
Decrease (increase) in:				
Other assets	<b>77,256</b>	(21,306)	<b>33,693</b>	6,707
Advances to affiliates	<b>69,261</b>	10,297	<b>7,855</b>	(1,607)
Net cash flows from (used in) investing activities	<b>(1,628,801)</b>	1,800,414	<b>(573,911)</b>	1,355,440

	Periods Ended September 30		Quarters Ended September 30	
	2011 (Note 3)	2010	2011 (Note 3)	2010
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of notes payable	35,775	(285,265)	12,014	(149,137)
Payment of:				
Long-term debt	(24,329)	(9,968)	(446)	(6,299)
Dividends	(156,186)	(144,048)	-	-
Company shares purchased by a subsidiary	(7,324)	(309,591)	(3,587)	(3,755)
Increase (decrease) in:				
Deferred revenue	(373)	(4,212)	175	(4,413)
Minority interest	447	340	1,770	334
Net cash flows from (used in) financing activities	(151,990)	(752,744)	9,926	(163,270)
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>				
	(1,269)	(71,842)	(9,087)	(50,219)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,577,076)</b>	<b>99,954</b>	<b>(577,408)</b>	<b>53,059</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,188,124</b>	<b>594,527</b>	<b>1,188,456</b>	<b>641,422</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>611,048</b>	<b>694,481</b>	<b>611,048</b>	<b>694,481</b>

**Note 3: Cash flow included the seven months cash operation of Seven Seas Resorts and Leisure, Inc. since March 1, 2011.**

## A. SORIANO CORPORATION

### PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	2011	2010
	September 30	December 31
<b>ASSETS</b>		
Cash and Cash Equivalents	507,020	2,129,518
Fair Value through Profit and Loss (FVPL) Investments	624,461	810,900
Available for Sale (AFS) Investments	7,491,261	6,040,049
Receivables - net	72,430	58,636
Investments and Advances- net	2,560,737	2,246,514
Investment Property - net	-	72,537
Property and Equipment - net	41,557	47,641
Other Assets	852	285
<b>TOTAL ASSETS</b>	<b>11,298,318</b>	<b>11,406,079</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Dividends Payable	134,856	134,856
Accounts Payable and Accrued Expenses	70,595	94,119
Due to Affiliates	201,910	66,453
Retirement Benefits Payable	11,784	11,784
<b>Total Liabilities</b>	<b>419,145</b>	<b>307,212</b>
<b>Equity</b>		
Capital Stock - 1 Par Value	2,500,000	2,500,000
Additional Paid-in Capital	1,589,800	1,589,800
Unrealized Valuation Gains on AFS Investments	1,969,652	2,614,380
Retained Earnings	4,819,721	4,394,687
<b>Total Equity</b>	<b>10,879,173</b>	<b>11,098,866</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,298,318</b>	<b>11,406,079</b>

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2011	2010	2011	2010
<b>REVENUES</b>				
Dividend income	226,444	137,891	1,790	16,735
Interest Income	84,116	73,549	23,247	24,201
Management fees	26,170	23,181	8,435	8,084
	<b>336,729</b>	234,621	<b>33,473</b>	49,020
<b>INVESTMENT GAINS</b>				
Gain on sale of AFS investments	547,017	1,384,715	79,517	673,013
Gain on sale of investment property	39,886	-	-	-
Gains (losses) on increase (decrease) in market values of FVPL investments	(12,414)	26,605	(11,551)	23,078
	<b>574,489</b>	1,411,320	<b>67,966</b>	696,092
	<b>911,219</b>	1,645,941	<b>101,439</b>	745,111
Operating expenses	(134,711)	(102,587)	(30,002)	(29,485)
Foreign exchange loss	(13,259)	(71,076)	(6,702)	(31,746)
Interest expense	(508)	(10,901)	(225)	(1,508)
Other income – net	15,809	444	63	161
	<b>(132,669)</b>	(184,121)	<b>(36,865)</b>	(62,578)
<b>INCOME BEFORE INCOME TAX PROVISION FOR (BENEFIT FROM) INCOME TAX – NET</b>	<b>778,550</b>	1,461,820	<b>64,574</b>	682,533
	<b>53,516</b>	(5,189)	<b>41,080</b>	(21,134)
<b>NET INCOME</b>	<b>725,034</b>	1,467,009	<b>23,493</b>	703,668
<b>Earnings Per Share*</b>	<b>0.29</b>	0.59	<b>0.01</b>	0.28

\* Based on outstanding shares of 2,500,000,000 in 2011 and 2010.

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2011	2010	2011	2010
<b>NET INCOME FOR THE PERIOD</b>	<b>725,034</b>	1,467,009	353,980	703,668
<b>OTHER COMPREHENSIVE INCOME</b>				
Gain (loss) on increase (decrease) in market value (AFS) investments	<b>(696,624)</b>	1,501,134	(329,995)	219,254
Income tax effect	<b>51,897</b>	(6,364)	47,662	(22,084)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(644,727)</b>	1,494,769	(282,333)	197,171
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>80,307</b>	2,961,778	71,647	900,838

## A. SORIANO CORPORATION

### PARENT STATEMENTS OF CHANGES IN EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Retained Earnings	Total
Balance at 12/31/2009	2,500,000	1,589,800	634,073	2,977,450	7,701,322
Cash dividends	-	-	-	(250,000)	(250,000)
Comprehensive income for the period	-	-	1,494,769	1,467,009	2,961,778
<b>Balance at 09/30/2010</b>	<b>2,500,000</b>	<b>1,589,800</b>	<b>2,128,842</b>	<b>4,194,459</b>	<b>10,413,101</b>
Balance at 12/31/2010	2,500,000	1,589,800	2,614,380	4,394,687	11,098,866
Cash dividends	-	-	-	(300,000)	(300,000)
Comprehensive income for the period	-	-	(644,727)	725,034	80,307
<b>Balance at 09/30/2011</b>	<b>2,500,000</b>	<b>1,589,800</b>	<b>1,969,652</b>	<b>4,819,721</b>	<b>10,879,173</b>

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended		Quarters Ended	
	September 30		September 30	
	2011	2010	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before tax	778,550	1,461,820	64,574	682,533
Adjustment for:				
Net foreign exchange loss	13,259	71,076	6,702	31,746
Loss (gain) on decrease ( increase) in market values of FVPL investment	12,414	(26,605)	11,551	(23,078)
Depreciation and amortization	7,233	11,125	2,081	3,698
Interest expense	508	10,901	225	1,508
Gain on sale of AFS investments	(547,017)	(1,384,715)	(79,517)	(673,013)
Dividend income	(226,444)	(137,891)	(1,790)	(16,735)
Interest income	(84,116)	(73,549)	(23,247)	(24,201)
Gain on sale of investment property	(39,886)	-	-	-
Operating loss before working capital changes	(85,499)	(67,837)	(12,525)	(17,543)
Increase in receivables	(13,794)	(924,113)	(8,460)	(945,478)
Decrease (increase) in FVPL investments	174,803	(50,723)	50,546	(158,882)
Increase (decrease) in accounts payable and accrued expenses	(23,524)	(2,594)	2,191	(4,447)
Net cash generated (used in) operations	51,986	(1,045,267)	31,752	(1,126,349)
Dividend received	226,444	137,891	1,790	16,735
Interest received	83,469	70,866	23,138	22,596
Interest paid	(508)	(10,901)	(225)	(1,508)
Income tax paid	(1,619)	(1,176)	(338)	(949)
Net cash flows from used in) operating activities	359,771	(848,588)	56,118	(1,089,475)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale of :				
AFS investments	2,884,139	4,183,626	803,314	2,146,950
Investment property	111,455	-	-	-
Additions to:				
AFS investments	(4,496,182)	(2,342,609)	(1,360,087)	(790,479)
Long-term investments	(255,901)	-	-	-
Property and equipment	(182)	(174)	(20)	(99)
Increase in:				
Advances to affiliates	(58,322)	(109,594)	(22,813)	(7,878)
Other assets	(567)	(220)	(60)	(89)
Net cash flows from (used in) investing activities	(1,815,559)	1,731,030	(579,667)	1,348,405

	Periods Ended		Quarters Ended	
	September 30		September 30	
	2011	2010	2011	2010
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of notes payable	-	(278,451)	-	(150,000)
Payment of cash dividends	<b>(300,000)</b>	(250,000)	-	0
Increase (decrease) in due to affiliates	<b>135,457</b>	(126,968)	<b>(4,324)</b>	(346)
Net cash flows used in financing activities	<b>(164,543)</b>	(655,419)	<b>(4,324)</b>	(150,346)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>				
<b>IN CASH AND CASH EQUIVALENTS</b>	<b>(2,167)</b>	(74,037)	<b>(3,838)</b>	(52,062)
<b>NET INCREASE (DECREASE) IN CASH AND</b>				
<b>CASH EQUIVALENTS</b>	<b>(1,622,498)</b>	152,986	<b>(531,710)</b>	56,523
<b>CASH AND CASH EQUIVALENTS AT</b>				
<b>BEGINNING OF PERIOD</b>	<b>2,129,518</b>	474,116	<b>1,038,730</b>	570,579
<b>CASH AND CASH EQUIVALENTS AT END</b>				
<b>OF PERIOD</b>	<b>507,020</b>	627,102	<b>507,020</b>	627,102

## A. SORIANO CORPORATION AND SUBSIDIARIES

### Additional Notes to Consolidated Financial Statements

#### 1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations				Total	Eliminations	After Eliminations
	US-based Nurse/PT Staffing Co**.	Resort Operation (Note 2)	Other Operations (Note 1)	Holding Co. (Parent)			Consolidated
<b>SEPTEMBER 30, 2011</b>							
REVENUES	745,976	260,759	278,537	911,219	2,196,491	(133,520)	<b>2,062,971</b>
NET INCOME (LOSS)	(4,703)	(22,032)	139,111	725,034	837,410	(111,472)	<b>725,938</b>
TOTAL ASSETS	811,663	894,113	937,043	11,298,318	13,941,137	(2,116,615)	<b>11,824,521</b>
INVESTMENT PORTFOLIO *	-	70,290	770,966	10,676,459	11,517,715	(2,326,997)	<b>9,190,720</b>
PROPERTY, PLANT & EQUIPMENT	7,829	598,466	141,579	41,557	789,430	115,205	<b>904,636</b>
TOTAL LIABILITIES	257,310	264,147	1,064,664	419,145	2,005,266	(1,184,129)	<b>821,137</b>
DEPRECIATION AND AMORTIZATION	4,278	44,881	20,357	7,233	76,749	-	<b>76,749</b>

	Before Eliminations				After Eliminations	
	US-based Nurse/PT Staffing Co**.	Other Operations (Note 1)	Holding Co. (Parent)	Total	Eliminations	Consolidated
<b>SEPTEMBER 30, 2010</b>						
REVENUES	506,305	240,100	1,645,941	2,392,346	(47,726)	<b>2,344,620</b>
NET INCOME	(39,052)	97,352	1,467,009	1,525,309	(47,670)	<b>1,477,639</b>
TOTAL ASSETS	713,837	709,670	10,629,158	12,052,665	(1,511,580)	<b>10,541,085</b>
INVESTMENT PORTFOLIO *	-	520,867	8,910,938	9,431,805	(1,517,800)	<b>7,914,005</b>
PROPERTY, PLANT & EQUIPMENT	5,333	121,591	49,660	176,584	-	<b>176,584</b>
TOTAL LIABILITIES	152,004	851,466	216,058	1,219,528	(662,463)	<b>557,065</b>
DEPRECIATION AND AMORTIZATION	6,136	23,325	11,125	40,585	-	<b>40,585</b>

\* ***Inclusive of FVPL investments, AFS investments, advances & investments and investment properties.***

\*\* ***Excluding IQHPC operations which were consolidated into IQMAN, the latter formed part of other operations.***

***Note 1 Other than Cirrus Global, Inc. (formerly IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Property Holdings, Inc.***

***Note 2 Included the seven months (since March 1, 2011 when majority interest was acquired) operation of Seven Seas Resorts and Leisure, Inc.***

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Nurse staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

## 2. Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and Philippine Interpretations effective January 1, 2010.

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. PAS 27 (amended) requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as “minority interests”), even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively, while PAS 27 (amended) must be applied retrospectively, with certain exceptions.
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*, addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Adoption of these changes in PFRS did not have an impact on the Group’s financial statements:

- Amendment to PFRS 2, *Share-based Payment - Group Cash settled Share-based Payment Transactions*, clarifies the scope and the accounting for group cash-settled share-based payment transactions.
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

#### *Improvements to PFRSs*

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

#### *Improvements to PFRSs 2008*

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position or the financial performance of the Group.

#### *Improvements to PFRSs 2009*

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker (CODM). As the Group's CODM does review segment assets and liabilities, the Group has continued to disclose this information in Note 5.

PAS 7, *Statement of Cash Flows*, states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

PAS 36, *Impairment of Assets*, the amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from the 2009 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 2, *Share-based Payment*
- PAS 1, *Presentation of Financial Statements*
- PAS 17, *Leases*
- PAS 34, *Interim Financial Reporting*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

*New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to December 31, 2010*

The Group will adopt the following standards and interpretations enumerated below when these become effective subsequent to January 1, 2010. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

*Effective in 2011*

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- PAS 24 (Amended), *Related Party Disclosures*, clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equities*, clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished.

- Philippine Interpretation IFRIC 14, *Prepayments of Minimum Funding Requirement*, provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment should be applied retrospectively but is deemed to have no impact on the financial statements of the Group.

#### *Improvements to PFRSs 2010*

The omnibus amendments to PFRSs issued in 2010 were issued primarily with a view to remove inconsistencies and clarify wording. The amendments are effective for annual periods beginning on or after January 1, 2011, except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the consolidated financial statements:

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

#### *Effective in 2012*

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.
- PAS 12, *Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*, will be effective for annual periods beginning on or after 1 January 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- PFRS 7, *Financial Instruments: Disclosures (Amendments) - Disclosures—Transfers of Financial Assets*, will be effective for annual periods beginning on or after 1 July 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

*Effective in 2013*

- PFRS 9, *Financial Instruments: Classification and Measurement*, will eventually replace PAS 39, *Financial Instruments: Recognition and Measurement*, and introduces new requirements for classifying and measuring financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in the middle of 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

### **3. Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

- a) maintaining a bond portfolio that earns adequate cash yields and,
- b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. The evaluation and meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

#### *Credit risk*

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a customer that accounts for more than 10% of the consolidated revenue.

#### *Credit risk management*

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign equity funds are made in mutual funds and/or hedge funds with investments in A-rated companies with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equities is reviewed regularly by the Committee.

#### *Credit risk exposures*

The carrying amounts of the assets represent maximum credit exposure.

#### *Credit quality per class of financial asset*

For the Group's receivables, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

#### *Liquidity risk*

Liquidity risk is defined as the risk that the fund may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due, this is done by primarily investing in highly liquid investments. The Group is exposed to liquidity risk arising from its short-term bank loans from local and investment banks.

#### *Market risks*

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency risk and equity price risks.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

#### a. Interest rate risks

##### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

##### *Fair value interest rate risk*

The Group accounts for its debt investments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

#### b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's investment in stocks listed in the PSE index (PSEi). For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

c. Price interest risk of mutual funds

The Group is exposed to the risks of changes in the fund's net asset value due to its market risk exposures.

d. Foreign exchange risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows. This arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar and Euro. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company and a subsidiary occasionally engage in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, SSRLI and IQMAN can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

*Capital Management*

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiary and associate:

- a. The primary objective of the Company's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

No changes were made in the objectives, policies or process for the periods ended September 30, 2011 and December 31, 2010.

b. Cirrus' and Cirrus Global, Inc.'s capital management objectives are:

- To ensure its ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Cirrus Global, Inc. monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

Cirrus Global, Inc. sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

#### **4. Business Combination**

In February 2011, Anscor purchased additional 16.3% of Seven Seas Resorts and Liesure, Inc. (SSRLI) from minority shareholders of SSRLI. As a result, the shareholdings of Anscor increased from the present 46% to 62.3% of the total outstanding common and preferred shares of SSRLI and it's therefore consolidated in Anscor balances starting March 1, 2011. SSRLI is the owner of Amanpulo Resort.

The fair value of investment previously held as investment in associates (46% stake) at the acquisition date using the discount rate of 13.5% amounted to P304.0 million.

The total consideration was allocated to assets acquired and liabilities assumed on a provisional assessment of fair value. Adjustments to the provisional amounts will be determined within one year from the date of acquisition.

The fair values of the identifiable assets and liabilities of SSRLI as of February 28, 2011 were:

	<b>Fair Value Recognized on Acquisition (in millions)</b>
Cash and cash equivalents	P 114.1
Trade and other receivables	119.4
Inventories	47.9
Property development in progress	38.0
Property and equipment	680.7
Land held for future development	28.5
Prepayments and other assets	67.3
<b>Total assets</b>	<b>1,095.9</b>
Short-term debt	40.0
Accounts payable and accrued expenses	138.3
Income tax payable	7.1
Long-term debt	103.8
Deferred tax liability	34.6
Other liabilities	41.1
<b>Net assets</b>	<b>731.0</b>
Less: Noncontrolling interest	(275.6)
<b>Balance</b>	<b>455.4</b>
<b>Goodwill arising from the acquisition</b>	<b>104.5</b>
<b>Total consideration</b>	<b>P 559.9</b>

The cost of the combination was P559.9 million broken down as follows (in millions):

Cash consideration (16.3%)	P 255.9
Fair value of investment previously held as investment in associates (46%)	304.0
<b>Total consideration</b>	<b>P 559.9</b>

## 5. Financial Condition

The consolidation of SSRLI balances due to increase of Anscor's shareholdings from 46.0% to 62.30% changed the composition of assets, liabilities, equity, net income and cash flows in the consolidated financial statements reported by the Group as of September 30, 2011 versus December 31, 2010.

### ***Cash and Cash Equivalents***

The decrease in cash and cash equivalents can be attributed to net cash flows used in investing and financing activities total of P1.8 billion which included additional AFS investments and property and equipment; and payment of dividends. Cash generated from operating activities amounted to P205.0 million

(Please see attached consolidated cash flow statements for detailed analysis of cash movements.)

### ***Fair Value Through Profit and Loss (FVPL) Investments***

The decrease in the account can be attributed to the net sale for the period of about P174.8 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by P12.6 million vs. December 31, 2010 market values.

### ***Receivables***

The increase in receivables was mainly due consolidation of SSRLI balances as of September 30, 2011.

### ***Inventories***

Inventories increased by P49,5 million, one of the reasons was the consolidation of SSRLI inventories. Also, minimal purchases were made in 2011 for spare parts and supplies needed by the aviation subsidiary.

### ***Prepayments and Other Current Assets***

Change in the account balance can be attributed mainly to the net reduction in refundable/miscellaneous deposits by the air transport subsidiary.

### ***Investments and Advances***

By consolidating SSRLI, investments and advances decreased by P299.2 million, the booked value of the 46% holdings of Anscor in SSRLI held as investment in associate as of February 28, 2011.

The decrease in investments and advances was offset by equity earnings of associates amounting to P71.6 million for the three quarters of 2011.

**Available for Sale (AFS) Investments**

Change in the account can be attributed mainly to the net additions that were mostly in bonds, equity funds and traded equities amounting to P1.6 billion. There was a decrease of about P706.1 million in market value of AFS investments. Foreign exchange loss from translation of foreign currency-denominated AFS investments amounted to P14.0 million.

**Investment Properties**

The parent company sold the 34<sup>th</sup> floor of Enterprise Center with a book value of P71.6 million as of February 28, 2011 which resulted to reduction in the investment properties account.

The reduction in the account was offset by the consolidation of SSRLI balances by about P28.5 million.

Depreciation for the period amounted to P1.0 million.

**Property, Plant and Equipment - net**

The consolidation of SSRLI increases the property, plant and equipment by P598.5 million. As required by the new accounting standard for business combination, when Anscor increased its stake in SSRLI from 46% to 62.3%, the net assets of SSRLI were valued at P765.6 million using discounted cash flow from operations (including future PPE acquisition) for the next 10 years, reduced by its book value of P650.4 million as of February 28, 2011, resulting in an upward adjustment in fair value attributable to property, plant and equipment amounting to P115.2 million.

Depreciation charged to operations amounted to P75.8 million. Additions to property and equipment amounted to P118.5 million.

**Goodwill**

The provisional goodwill that arises from the acquisition of SSRLI amounted to P104.5 million. This goodwill calculation is subject to review by the external auditors at year end. This explains the increase in the account.

The goodwill from US-based staffing business, amounting to P510.9 million as of December 31, 2010 decreased by P2.7 million due to foreign exchange loss of the peso equivalent of the dollar investment.

**Other Noncurrent Assets**

Change in the account balance can be attributed mainly to the net reduction in deposits and clearing accounts by the air transport subsidiary.

**Notes Payable**

The increase in the account was mainly due to consolidation of SSRLI balances as of September 30, 2011.

**Accounts Payable and Accrued Expenses**

The change in the account was mainly due to consolidation of SSRLI balances as of September 30, 2011.

**Income Tax Payable**

Movement in the account was attributable to income tax payment made by the group for the first six months of 2011 offset by the provision for income for the period ended September 30, 2011.

**Advances from Customer**

The 2010 balance was a related party transaction between the Aviation subsidiary and Seven Seas. For 2011, the whole amount was eliminated during the consolidation since Seven Seas is already a subsidiary of Anscor.

**Long-term debt**

The account balance increased as a result of the consolidation of SSRLI balances as of September 30, 2011.

**Retirement benefits payable**

The increase in the account was due to consolidation of SSRLI balances as of September 30, 2011.

**Deferred Income Tax Liability**

Deferred tax effect of the fair value adjustment on property, plant and equipment of SSRLI amounted to P34.6 million (30% of P115.3 million).

**Unrealized valuation gains on AFS investments (equity portion)**

The decrease in market values of AFS investments from December 31, 2010 to September 30, 2011 amounted P652.0 million, net of deferred income taxes. When the assets are sold, the gain or loss is realized and will be reflected in the consolidated statements of income.

**Cumulative Translation Adjustment**

This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc. (formerly IQMAN).

**Noncontrolling interests**

Increase in noncontrolling interests was mainly due to share of minority shareholders on net assets of SSRLI as September 30, 2011.

**Others**

There were no commitments for major capital expenditures in 2011.

## 6. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

*The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):*

	Periods ended September 30	
	2011	2010
<i>Revenues (excluding investment gains or losses)</i>	336,729	234,621
<i>Investment Gains</i>	574,489	1,411,320
<i>Net Income</i>	725,034	1,467,009
<i>Earnings Per Share</i>	0.29	0.59
<i>Market Price Per Share (PSE)</i>	3.20	3.12

**The discussions below were based on the consolidated results of the Company and its subsidiaries.**

### ***Revenues***

This year's consolidated gross revenues of P2.1 billion was 12.0% lower than last year's revenue of P2.3 billion. The gain from sale of AFS investments was significantly lower compared to the gain reported the same period last year. This reduction in revenues was partially offset by improved service revenues of Cirrus group and inclusion of SSRLI's P260.8 million hotel revenues for the period March 1 to September 30, 2011.

### ***Cost of Services Rendered***

Increase in cost of services rendered was mainly attributable to higher cost of services of nurse staffing business (as a result of improved revenues) and consolidation of SSRLI cost of services for the period March 1 to September 30, 2011.

### ***Operating Expenses***

Operating expenses increased as a result of consolidation of SSRLI operating expenses for the period March 1 to September 30, 2011.

### ***Recoveries (Valuation Allowances) - net***

As a result of recovery in market values of some AFS investments mostly from bonds, previously booked provisions were reversed.

***Foreign Exchange Loss***

Due to the appreciation of peso vis-à-vis US dollar and euro, the peso value of foreign currency-denominated investments of the Group decreased which resulted to foreign exchange loss.

***Interest Expense***

The Group reported lower charges for interest expense in 2011 resulting from payment of the parent company of its loan. Despite the pick up in the consolidated balance sheet of SSRLI's loans/debt, the interest expense that was considered only pertained to March 1 to September 30, 2011, as the effectivity of consolidation of income statement accounts of SSRLI was March 1, 2011.

***Other Income***

Other income reported in 2011 pertains mainly to gain from fair value adjustment of net assets of acquired subsidiary and forfeiture of rental deposit from lessee by the parent company.

***Provision for Income Tax - net***

The current provision for income tax of the group increased due to consolidation of SSRLI's income tax expense of P8.4 million for the period March 1 to September 30, 2011. The parent company sets up provision for deferred income tax liability on uncollected management fee during the year and wrote off the tax benefit on unrealized foreign exchange loss and unrealized loss from decrease in market value of AFS investments.

***Noncontrolling Interests***

Increase in noncontrolling interests was mainly due to share of minority shareholders on reduced losses of Cirrus Global, Inc. and Cirrus Medical Staffing, Inc. and the share of minority shareholders on results of SSRLI from March 1 to September 30, 2011.

**7. Cash Flows**

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

## **8. Financial information**

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicity trends in the business that would have material effect on the Company's result of operations and financial condition.

In the interim period:

- The consolidation of SSRLI balances due to increase of Anscor's shareholdings from 46.0% to 62.30% changed the composition of assets, liabilities, equity, net income and cash flows in the consolidated financial statements reported by the Group.
- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities but its 100%-owned subsidiary, Anscor Consolidated Corporation, purchased 2.2 million Anscor shares amounting P7.3 million during the nine months of 2011 and todate owns 1,200,661,093 shares of Anscor.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

## **9. Subsequent Events**

- a. The Board of Directors of Anscor, in its meeting held on October 11, 2011, approved a cash dividend of Twelve Centavos (P0.12) per share payable on November 21, 2011 to all stockholders of record as of October 26, 2011.
- b. On October 24, 2011, Anscor International, Inc., a wholly owned subsidiary of Anscor invested US\$3.0 million (P131.25 million) in P.E Media Holdings LLC (PEMH), a Delaware limited liability company. PEMH owns social media companies with a goal of creating a safe on-line environment for "Tweens" (children 13 years old and under).

## 10. Subsidiaries and Affiliates

### ***Phelps Dodge Philippines (PDP)***

The following are the key performance indicators for Phelps Dodge Philippines (In thousand pesos except volume and earnings per share):

	Periods Ended September 30	
	2011	2010
<i>Volume sold (MT)</i>		
<i>Domestic</i>	<b>6,775</b>	7,345
<i>Export</i>	<b>2,245</b>	813
<i>Total</i>	<b>9,020</b>	8,158
<i>Revenue</i>	<b>4,867,884</b>	3,753,431
<i>Marginal Income</i>	<b>463,188</b>	443,394
<i>Net Income</i>	<b>168,271</b>	169,159

PDP's 2011 volume of deliveries netted to 10.6% higher as compared to 2010 due to the increase in sales of PD Energy International, the PEZA Company intended for export of low and medium voltage power cables to General Cable Australia (813MT of 2010 vs. 2,245MT of 2011). Domestic Sales volume was lower by 7.8%, however it contributed higher margins due to higher average selling prices attributable to the increased cost of metal as compared to the first nine months of 2010.

PDP posted a net income of P168.3 million for the nine months of 2011, slightly lower than the P169.2 million net income realized last year for the same period.

***Seven Seas' Amanpulo Resort*** ended up with an occupancy rate of 46.02% for this period, lower than the 2010 average occupancy rate of 47.58%. Average room rate at US\$902.00, almost the same level as last year. Total hotel revenues amounted to P365.3million, lower by P1.8 million from last year's revenues of P367.1 million. Gross operating profit (GOP) of P99.1 million, decreased versus 2010's GOP by 20.7%. Cancellations of booking from the Japanese market and the Tsunami scare unfavorably affected the occupancy and business volume for the period.

Seven Seas reported a net loss of P2.6 million for nine months of 2011. Higher depreciation expense, appreciation of the peso vis a vis US dollar and low occupancy contributed to net loss.

**Cirrus Group**

*Cirrus Medical Staffing, Inc.* registered \$17 million revenue as of September 2011, a 53% increase vis-à-vis the same period last year. Total revenue including the website/community division is \$17.2 million. The Nursing and Therapy divisions increased their revenues by 57% and 51%, respectively.

Cirrus is re-aligning its business strategy to take advantage of the improving US market. Unemployment rates have been at its lowest at 8.8% since February of 2008. In March, overall temporary staffing grew by 17%. Staffing Industry analysts' project that travel nursing will grow 7% in 2011 and 15% in 2012. Allied health services are projected to grow 4% and 10% in 2011 and 2012, respectively.

*Cirrus, Global, Inc. (formerly International Quality Manpower Services, Inc.)* reported a net loss for nine months of 2011. The company's operations have been restricted due to the delayed processing of EB-3 immigrant visas for nurses destined for employment in the U.S.