

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, 2013
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. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office 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 |
|---------------------|---|
|---------------------|---|

| | |
|---------------|----------------------|
| <u>Common</u> | <u>2,500,000,000</u> |
|---------------|----------------------|

.....

.....

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 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, 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
AVP- Asst. Corporate Secretary

Date: November 14, 2013

Principal Financial/Accounting Officer/Controller:
Signature and Title


(Sgd.) NARCISA M. VILLAFIOR
VP - Comptroller

Date: November 14, 2013

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

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A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | September 30 | December 31 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 902,372 | 870,553 |
| Fair value through profit and loss (FVPL) investments | 428,515 | 534,169 |
| Receivables | 434,922 | 355,963 |
| Inventories | 74,051 | 88,366 |
| Available-for-sale (AFS) investments - current | 39,549 | 46,579 |
| Prepayments and other current assets | 100,322 | 84,026 |
| Total Current Assets | 1,979,731 | 1,979,655 |
| Noncurrent Assets | | |
| Investments and advances | 3,019,751 | 919,283 |
| Available for sale (AFS) investments | 9,669,186 | 9,272,047 |
| Investment properties | 213,147 | 216,432 |
| Property, plant and equipment | 1,120,328 | 874,663 |
| Goodwill | 597,197 | 565,712 |
| Retirement plan asset | 12,249 | 12,249 |
| Other noncurrent assets | 78,116 | 83,744 |
| Total Noncurrent Assets | 14,709,974 | 11,944,130 |
| TOTAL ASSETS | 16,689,705 | 13,923,785 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Notes payable | 74,097 | 332,190 |
| Accounts payable and accrued expenses | 535,786 | 368,404 |
| Dividends payable | 264,015 | 369,162 |
| Income tax payable | 7,326 | 2,675 |
| Current portion of long-term debt | 30,664 | 28,976 |
| Total Current Liabilities | 911,887 | 1,101,407 |
| Noncurrent Liabilities | | |
| Deferred revenues | 27,449 | 29,675 |
| Long-term debt | 1,838,525 | 116,929 |
| Retirement benefits payable | 23,337 | 26,559 |
| Deferred income tax | 55,878 | 71,107 |
| Other noncurrent liabilities | 291,445 | 51,374 |
| Total Noncurrent Liabilities | 2,236,634 | 295,644 |
| Total Liabilities | 3,148,521 | 1,397,051 |

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | September 30 | December 31 |
| Equity Attributable to Equity Holdings of the Parent | | |
| Capital stock - 1 par value | 2,500,000 | 2,500,000 |
| Additional paid-in capital | 1,605,619 | 1,574,104 |
| Unrealized valuation gains on AFS investments | 2,973,820 | 3,458,315 |
| Cumulative translation adjustment | (88,598) | (155,685) |
| Equity reserve on acquisition of minority interest | (26,357) | (26,357) |
| Retained Earnings | | |
| Appropriated | 3,000,000 | 2,100,000 |
| Unappropriated | 5,247,074 | 4,757,264 |
| | 15,211,558 | 14,207,642 |
| Less cost of shares held by a subsidiary | 2,029,197 | 2,019,725 |
| | 13,182,361 | 12,187,917 |
| Noncontrolling interests | 358,823 | 338,817 |
| Total Equity | 13,541,184 | 12,526,734 |
| TOTAL LIABILITIES AND EQUITY | 16,689,705 | 13,923,785 |

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|---|-------------------------------|---------------------|--------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| REVENUES | | | | |
| Services | 1,467,622 | 1,330,882 | 486,925 | 417,625 |
| Dividend income | 186,021 | 209,855 | 26,376 | 28,418 |
| Equity in net earnings of associates | 151,770 | 117,426 | 66,482 | 43,275 |
| Interest income | 75,157 | 67,597 | 20,456 | 22,758 |
| Management fee | 44,522 | 38,806 | 15,437 | 13,170 |
| | 1,925,093 | 1,764,567 | 615,676 | 525,247 |
| INVESTMENT GAINS | | | | |
| Gain on sale of AFS investments | 1,045,837 | 733,532 | 40,514 | 375,977 |
| Gain (Loss) on increase (decrease) in market values of FVPL investments | (70,086) | 57,285 | (45,017) | 18,342 |
| Gain from sale of investment properties | - | 2,911 | - | 233 |
| | 975,751 | 793,728 | (4,503) | 394,552 |
| | 2,900,844 | 2,558,295 | 611,173 | 919,799 |
| Cost of services rendered | (999,211) | (876,731) | (386,134) | (292,483) |
| Operating expenses | (543,814) | (518,423) | (127,597) | (159,920) |
| Interest expense | (19,622) | (11,949) | (12,803) | (6,401) |
| Valuation allowances - net | (343) | 5,060 | (119) | 3,412 |
| Foreign exchange gain (loss) | 70,215 | (48,485) | 6,150 | (6,715) |
| Other income | 28,805 | 26,446 | 29,073 | 7,577 |
| | (1,463,970) | (1,424,082) | (491,428) | (454,530) |
| INCOME BEFORE INCOME TAX | 1,436,874 | 1,134,213 | 119,745 | 465,269 |
| PROVISION FOR INCOME TAX - net | 26,804 | 10,002 | (2,439) | (1,940) |
| NET INCOME | 1,410,070 | 1,124,211 | 122,184 | 467,209 |
| Attributable to: | | | | |
| Equity holdings of the parent | 1,389,809 | 1,109,070 | 120,034 | 467,584 |
| Minority interest | 20,260 | 15,141 | 2,149 | (375) |
| | 1,410,070 | 1,124,211 | 122,184 | 467,209 |
| EARNINGS PER SHARE - basic, for net income attributable to equity holdings of the parent | | | | |
| | 1.10 | 0.88 | 0.10 | 0.37 |

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|--|-------------------------------|-----------|--------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| NET INCOME FOR THE PERIOD | 1,410,070 | 1,124,211 | 122,184 | 467,209 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Gain (Loss) on Increase (Decrease) in Market Value of Available for sale (AFS) investments | (498,607) | 763,176 | (53,660) | (331,482) |
| Exchange Differences on Translating Foreign Operations | 67,087 | (16,130) | 2,026 | 25,265 |
| Income tax relating to components of other comprehensive income | 14,112 | (20,299) | (5,463) | (11,850) |
| OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX | (417,408) | 726,747 | (57,097) | (318,067) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 992,662 | 1,850,958 | 65,087 | 149,142 |

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

| | Attributable to Equity Holders of the Parent | | | | | | | | | |
|--|--|----------------------------------|--|---|---|-------------------|------------------|--|----------------------------|-------------------|
| | Capital Stock | Additional Paid-in Capital | Equity Reserve on Acquisition of Minority Interest | Unrealized Valuation Gains on AFS Investments | Cumulative Translation Adjustment | Retained Earnings | | Cost of Shares Held by a Subsidiary | Noncontrolling Interest | Total |
| | | | | | | Appropriated | Unappropriated | | | |
| Balance at 12/31/2011 | 2,500,000 | 1,574,104 | (26,357) | 2,495,986 | (70,633) | 2,100,000 | 4,555,062 | (1,836,656) | 318,017 | 11,609,524 |
| Comprehensive income | - | - | - | 742,877 | (16,1630) | - | 1,109,070 | - | 15,141 | 1,850,958 |
| Cash dividends -net | - | - | - | - | - | - | (324,651) | - | - | (324,651) |
| Share repurchased - Jan. to September 201 2 | - | - | - | - | - | - | - | (183,071) | - | (183,071) |
| Movement in noncontrolling interest | - | - | - | - | - | - | - | - | 1,381 | 1,381 |
| Balance at 09/30/2012 | 2,500,000 | 1,574,104 | (26,357) | 3,238,863 | (86,763) | 2,100,000 | 5,339,481 | (2,019,727) | 334,539 | 12,954,142 |
| Balance at 12/31/2012 | 2,500,000 | 1,574,104 | (26,357) | 3,458,315 | (155,685) | 2,100,000 | 4,757,264 | (2,019,725) | 338,817 | 12,526,734 |
| Comprehensive income | - | - | - | (484,495) | 67,087 | - | 1,389,809 | - | 20,260 | 992,662 |
| Appropriation | - | - | - | - | - | 900,000 | (900,000) | - | - | - |
| Share repurchased - Jan. to September 2013 | - | - | - | - | - | - | - | (19,399) | - | (19,399) |
| Sale of shares held by a subsidiary | - | 31,515 | - | - | - | - | - | 9,926 | - | 9,926 |
| Movement in noncontrolling interest | - | - | - | - | - | - | - | - | (254) | (254) |
| Balance at 09/30/2013 | 2,500,000 | 1,605,619 | (26,357) | 2,973,820 | (88,598) | 3,000,000 | 5,247,074 | (2,029,197) | 358,823 | 13,541,181 |

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|--|-------------------------------|-----------|--------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before income tax | 1,436,874 | 1,134,213 | 119,745 | 465,269 |
| Adjustment for: | | | | |
| Depreciation and amortization | 85,982 | 90,006 | 27,444 | 25,399 |
| Loss (gain) on decrease (increase) in market values of FVPL investments | 70,086 | (57,285) | 45,017 | (18,342) |
| Interest expense | 19,622 | 11,949 | 12,803 | 6,401 |
| Valuation allowances (recoveries)- net | 343 | (5,060) | 119 | (3,412) |
| Foreign exchange loss (gain) - net | (64,150) | 80,894 | (4,178) | 42,755 |
| Interest income | (75,157) | (67,597) | (20,456) | (22,758) |
| Equity in net earnings of associates | (151,770) | (117,426) | (66,482) | (43,275) |
| Dividend income | (186,021) | (209,855) | (26,376) | (28,418) |
| Gain on sale of AFS investments | (1,045,837) | (733,532) | (40,514) | (375,977) |
| Gain on sale of investment properties | - | (2,911) | - | (233) |
| Operating income before working capital changes | 89,973 | 123,394 | 47,121 | 47,409 |
| Decrease (increase) in: | | | | |
| FVPL investments | 59,701 | 180,567 | 5,973 | 110,954 |
| Receivables | (79,303) | (15,535) | (33,574) | (32,575) |
| Inventories | 14,315 | 5,709 | (2,359) | 752 |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued expenses | 167,383 | (56,143) | 176,501 | 13,981 |
| Retirement benefits payable | (3,222) | (7,299) | (756) | (6,305) |
| Net cash generated from operations | 248,847 | 230,693 | 192,907 | 134,216 |
| Dividend received | 186,021 | 209,855 | 26,376 | 28,418 |
| Interest received | 75,587 | 67,194 | 20,476 | 22,692 |
| Interest paid | (19,622) | (11,949) | (12,803) | (6,401) |
| Income taxes paid | (24,713) | (14,049) | (7,254) | (4,235) |
| Net cash flows from operating activities | 466,119 | 481,745 | 219,702 | 174,691 |

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|---|-------------------------------|-------------|--------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from the sale of : | | | | |
| AFS investments | 5,215,461 | 4,400,997 | 2,007,518 | 1,735,721 |
| Property and equipment | - | 3,707 | - | 1,029 |
| Addition to: | | | | |
| AFS investments | (5,193,790) | (4,224,483) | (2,468,703) | (1,489,077) |
| Long-term investments | (1,737,204) | (4) | - | 20 |
| Investments properties | 3,286 | - | 3,286 | - |
| Property and equipment | (331,647) | (83,651) | (74,932) | (41,715) |
| Decrease (increase) in: | | | | |
| Other assets | (10,669) | (27,790) | 25,679 | (18,113) |
| Other noncurrent liabilities | 240,071 | 1,071 | 124,218 | 777 |
| Advances to affiliates | 5,051 | (32,233) | 37,358 | (36,322) |
| Net cash flows from (used in) investing activities | (1,809,442) | 37,614 | (345,575) | 152,319 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from long-term debt | 1,723,282 | (14,669) | (5,555) | (87,646) |
| Payment of: | | | | |
| Notes payable | (258,093) | 100,870 | 10,483 | (3,864) |
| Dividends | (105,147) | (327,871) | - | - |
| Sale shares held by a subsidiary | 22,042 | (183,071) | 1,743 | (1,903) |
| Increase (decrease) in: | | | | |
| Deferred revenue | (2,226) | (13,937) | 1 | (1,223) |
| Minority interest | (254) | 1,381 | 13 | 1,146 |
| Net cash flows from (used in) financing activities | 1,379,605 | (437,297) | 6,685 | (93,490) |
| EFFECT OF EXCHANGE RATE CHANGES IN | | | | |
| CASH AND CASH EQUIVALENTS | (4,462) | 8,498 | 50,517 | (13) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 31,819 | 90,560 | (68,671) | 233,507 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 870,553 | 542,427 | 971,042 | 399,480 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 902,372 | 632,987 | 902,372 | 632,987 |

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | September 30 | December 31 |
| ASSETS | | |
| Cash and Cash Equivalents | 411,695 | 669,127 |
| Fair Value through Profit and Loss (FVPL) Investments | 419,225 | 524,985 |
| Available for Sale (AFS) Investments | 9,382,327 | 8,819,265 |
| Receivables - net | 163,284 | 90,531 |
| Investments and Advances- net | 4,912,159 | 3,093,516 |
| Property and Equipment - net | 33,212 | 36,294 |
| Retirement Plan Asset | 12,249 | 12,249 |
| Other Assets | 1,169 | 924 |
| TOTAL ASSETS | 15,335,320 | 13,246,891 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Notes Payable | - | 250,000 |
| Dividends Payable | 264,015 | 369,162 |
| Accounts Payable and Accrued Expenses | 144,037 | 146,733 |
| Due to Affiliates | 22,099 | - |
| Long-term debt | 1,732,360 | - |
| Deferred Tax Liabilities | 3,647 | 20,181 |
| Total Liabilities | 2,166,158 | 786,075 |
| Equity | | |
| 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 | 2,925,734 | 3,407,481 |
| Retained Earnings | | |
| Appropriated | 3,000,000 | 2,100,000 |
| Unappropriated | 3,153,629 | 2,863,535 |
| Total Equity | 13,169,162 | 12,460,815 |
| TOTAL LIABILITIES AND EQUITY | 15,335,320 | 13,246,891 |

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|---|-------------------------------|------------------|--------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| REVENUES | | | | |
| Dividend income | 185,811 | 209,855 | 26,376 | 28,418 |
| Interest Income | 70,821 | 64,912 | 17,734 | 21,773 |
| Management fees | 44,522 | 38,806 | 15,437 | 13,170 |
| | 301,155 | 313,573 | 59,548 | 63,362 |
| INVESTMENT GAINS | | | | |
| Gain on sale of AFS investments | 1,046,364 | 733,749 | 40,514 | 376,193 |
| Gains (Losses) on increase (decrease) in market values of FVPL investments | (69,456) | 56,777 | (44,883) | 18,209 |
| Gain on sale of investment property | - | 2,678 | - | - |
| | 976,908 | 793,204 | (4,369) | 394,402 |
| | 1,278,063 | 1,106,777 | 55,179 | 457,763 |
| Operating expenses | (148,764) | (112,385) | (35,216) | (33,286) |
| Interest expense | (14,420) | (6,616) | (11,446) | (5,027) |
| Foreign exchange gain (loss) | 74,450 | (53,879) | 6,407 | (7,747) |
| Other income (charges) | (218) | 19,922 | 116 | 1,631 |
| | (88,952) | (152,957) | (40,139) | (44,429) |
| INCOME BEFORE INCOME TAX | 1,189,110 | 953,820 | 15,040 | 413,334 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX - DEFERRED | (983) | (7,502) | (12,818) | (266) |
| NET INCOME | 1,190,094 | 961,321 | 27,857 | 413,601 |
| Earnings Per Share* | 0.48 | 0.38 | 0.01 | 0.17 |

* Based on outstanding shares of 2,500,000,000 in 2013 and 2012.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|--|-------------------------------|-----------|--------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| NET INCOME FOR THE PERIOD | 1,190,094 | 961,321 | 27,857 | 413,601 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Gain (Loss) on Increase (Decrease) in Market Value of Available for sale (AFS) investments | (495,910) | 758,462 | (53,594) | (335,471) |
| Income tax effect | 14,163 | (18,884) | (5,483) | (10,653) |
| OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX | (481,747) | 739,577 | (59,077) | (346,125) |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | 708,347 | 1,700,898 | (31,219) | 67,476 |

A. SORIANO CORPORATION

PARENT STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

| | Capital Stock | Additional Paid-in Capital | Unrealized Valuation Gains on AFS Investments | Retained Earnings | | Total |
|------------------------------------|------------------|----------------------------------|--|-------------------|------------------|-------------------|
| | | | | Appropriated | Unappropriated | |
| Balance at 12/31/2011 | 2,500,000 | 1,589,800 | 2,464,263 | 2,100,000 | 3,002,197 | 11,656,260 |
| Cash dividends | - | - | - | - | (625,000) | (625,000) |
| Comprehensive income | - | - | 739,577 | - | 961,321 | 1,700,898 |
| Balance at 09/30/2012 | 2,500,000 | 1,589,800 | 3,203,840 | 2,100,000 | 3,338,518 | 12,732,158 |
| Balance at 12/31/2012 | 2,500,000 | 1,589,800 | 3,407,481 | 2,100,000 | 2,863,535 | 12,460,815 |
| Appropriation of retained earnings | - | - | - | 900,000 | (900,000) | - |
| Comprehensive income | - | - | (481,747) | - | 1,190,094 | 708,347 |
| Balance at 09/30/2013 | 2,500,000 | 1,589,800 | 2,925,734 | 3,000,000 | 3,153,629 | 13,169,162 |

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|--|-------------------------------|-----------|--------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before tax | 1,189,110 | 953,820 | 15,040 | 413,334 |
| Adjustment for: | | | | |
| Loss (gain) on decrease (increase) in market values of FVPL investments | 69,456 | (56,777) | 44,883 | (18,209) |
| Interest expense | 14,420 | 6,616 | 11,446 | 5,027 |
| Depreciation and amortization | 4,799 | 3,588 | 1,615 | 1,060 |
| Interest income | (70,821) | (64,912) | (17,734) | (21,773) |
| Net foreign exchange loss | (74,450) | 53,879 | (6,407) | 7,747 |
| Dividend income | (185,811) | (209,855) | (26,376) | (28,418) |
| Gain on sale of AFS investments | (1,046,364) | (733,749) | (40,514) | (376,193) |
| Gain on sale of investment property | 0 | (2,678) | 0 | 0 |
| Valuation allowance (recoveries) - net | 0 | (3,528) | 0 | (1,535) |
| Operating loss before working capital changes | (99,661) | (53,597) | (18,048) | (18,960) |
| Increase (decrease) in receivables | (72,753) | (6,759) | 6,752 | (4,233) |
| Increase in FVPL investments | 60,437 | 180,165 | 6,246 | 110,871 |
| Increase (decrease) in accounts payable and accrued expenses | (2,696) | (3,299) | 58,547 | (6,896) |
| Net cash generated (used in) operations | (114,673) | 116,510 | 53,497 | 80,783 |
| Dividend received | 185,811 | 209,855 | 26,376 | 28,418 |
| Interest received | 70,821 | 64,912 | 17,734 | 21,773 |
| Interest paid | (14,420) | (6,616) | (11,446) | (5,027) |
| Income tax paid | (1,387) | (1,455) | (631) | (459) |
| Net cash flows from operating activities | 126,152 | 383,207 | 85,530 | 125,488 |

| | Periods Ended September 30 | | Quarters Ended September 30 | |
|---|-------------------------------|-------------|--------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from the sale of: | | | | |
| AFS investments | 5,170,169 | 4,380,911 | 2,007,226 | 1,725,516 |
| Property and equipment | - | 2,679 | - | - |
| Additions to: | | | | |
| AFS investments | (5,135,107) | (4,167,583) | (2,464,383) | (1,489,077) |
| Long-term investments | (4) | (4) | - | 20 |
| Property and equipment | (1,295) | (40) | (232) | - |
| Increase (decrease) in: | | | | |
| Advances to affiliates | (1,818,639) | (101,171) | 3,079 | (42,294) |
| Other assets | (245) | (23) | (652) | 60 |
| Net cash flows from (used in) investing activities | (1,785,122) | 114,769 | (454,962) | 194,224 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from long-term debt | 1,732,360 | - | (4,840) | - |
| Proceeds from (payment of) notes payable | (250,000) | 100,000 | - | (75,000) |
| Payment of cash dividends | (105,147) | (628,220) | - | - |
| Increase in due to affiliates | 22,099 | 117,386 | 1,772 | (1,871) |
| Net cash flows from (used in) financing activities | 1,399,312 | (410,834) | (3,068) | (76,871) |
| EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS | | | | |
| | 2,227 | (226) | 51,941 | (2,977) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | (257,432) | 86,915 | (320,559) | 239,864 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | | | |
| | 669,127 | 380,960 | 732,254 | 228,011 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | | |
| | 411,695 | 467,875 | 411,695 | 467,875 |

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 | After Eliminations | |
|-------------------------------|--|---------------------|---------------------------------|-------------------------|--------------------------------|---------------------------|---------------------|
| | US-based Nurse/PT Staffing Co**. | Resort Operation | Other Operations (Note 1) | Holding Co. (Parent) | Total | Eliminations | Consolidated |
| September 30, 2013 | | | | | | | |
| REVENUE | 892,075 | 433,277 | 162,859 | 1,278,063 | 2,766,273 | 134,571 | 2,900,844 |
| NET INCOME (LOSS) | (7,719) | 60,423 | 19,037 | 1,190,094 | 1,261,835 | 148,234 | 1,410,070 |
| TOTAL ASSETS | 841,395 | 1,486,826 | 3,040,541 | 15,335,320 | 20,704,082 | (4,014,377) | 16,689,705 |
| INVESTMENTS PORTFOLIO * | 0 | 99,165 | 2,684,715 | 14,713,712 | 17,497,591 | (4,127,443) | 13,370,148 |
| PROPERTY & EQUIPMENT | 6,593 | 884,747 | 71,870 | 33,212 | 996,422 | 123,905 | 1,120,328 |
| TOTAL LIABILITIES | 136,220 | 723,116 | 3,215,507 | 2,166,158 | 6,241,001 | (3,092,480) | 3,148,521 |
| DEPRECIATION AND AMORTIZATION | 2,108 | 55,283 | 23,792 | 4,799 | 85,982 | - | 85,982 |

| | | | | | Before Eliminations | After Eliminations | |
|-------------------------------|--|---------------------|---------------------------------|-------------------------|--------------------------------|---------------------------|---------------------|
| | US-based Nurse/PT Staffing Co**. | Resort Operation | Other Operations (Note 1) | Holding Co. (Parent) | Total | Eliminations | Consolidated |
| September 30, 2012 | | | | | | | |
| REVENUES | 836,522 | 399,711 | 474,366 | 1,106,777 | 2,817,376 | (259,081) | 2,558,295 |
| NET INCOME | 1,012 | 34,928 | 309,789 | 961,321 | 1,307,051 | (182,839) | 1,124,211 |
| TOTAL ASSETS | 813,132 | 1,005,167 | 1,313,863 | 13,197,596 | 16,329,757 | (2,412,465) | 13,917,292 |
| INVESTMENT PORTFOLIO * | 0 | 103,696 | 988,413 | 12,606,642 | 13,698,751 | (2,507,861) | 11,190,890 |
| PROPERTY, PLANT & EQUIPMENT | 10,648 | 629,514 | 99,633 | 35,918 | 775,713 | 123,905 | 899,618 |
| TOTAL LIABILITIES | 280,954 | 316,631 | 1,247,628 | 465,437 | 2,310,650 | (1,347,500) | 963,150 |
| DEPRECIATION AND AMORTIZATION | 4,629 | 54,082 | 27,707 | 3,588 | 90,006 | - | 90,006 |

* **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.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare 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. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

Statement of Compliance

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

Changes in 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 PFRS and Philippine Interpretations based on IFRIC which were adopted as of January 1, 2012.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*, require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

The Group does not have financial assets that have been transferred but not derecognized nor does it have any continuing involvement in derecognized assets so the amendments have no impact on the consolidated financial statements of the Group.

- Amendment to PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*, clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose

objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

The Group does not have investment properties at fair value and property and equipment carried under the revaluation model so the amendment has no impact on the consolidated financial statements of the Group.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2012

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective in 2013

- Amendments to PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c) The net amounts presented in the statement of financial position;

- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i) Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii) Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance. The relevant disclosures will be included in the notes to the financial statements when this amendment becomes effective.

- PFRS 10, *Consolidated Financial Statements*, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

A reassessment of control was performed by the Company on all its subsidiaries and associates in accordance with the provisions of PFRS 10. Following the reassessment, the Company determined that there will be no additional entities that need to be consolidated nor are there subsidiaries that need to be deconsolidated when this new standard becomes effective.

- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The Company does not have any jointly controlled entities so the adoption of this new standard will have no significant impact on the financial statements of the Group upon its effectivity.

- PFRS 12, *Disclosure of Interests in Other Entities*, includes all of the disclosures related to financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and will have no impact on the Group's financial position or performance. The relevant disclosures will be included in the notes to the financial statements when this standard becomes effective.
- Amendments to PAS 27, *Separate Financial Statements*. As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company does not have any joint venture so the adoption of this amendment will have no significant impact on the financial statements of the Group upon its effectivity.
- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The Group has assessed the impact of adopting this standard and does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- Amendments to PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI*, change the grouping of items presented in OCI. Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.
- Amendments to PAS 19, *Employee Benefits*, range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

| | December 31, 2012 | January 1, 2012 |
|------------------------------------|----------------------|--------------------|
| <i>(In Millions)</i> | | |
| Increase (decrease) in: | | |
| <u>Consolidated balance sheets</u> | | |
| Net pension asset | P37.9 | P1.1 |
| Deferred tax liability | 10.8 | (0.5) |
| Other comprehensive income | 16.5 | 8.5 |
| Retained earnings | 10.6 | (6.9) |

2012
(In Millions)

Increase (decrease) in:

Consolidated statement of income

| | |
|-------------------------------|------|
| Net benefit expense | P1.4 |
| Income tax expense - deferred | 0.4 |

Profit for the year

| | |
|--|-------|
| Attributable to the owners of the Parent Company | (0.9) |
| Attributable to non-controlling interests | (0.1) |
| Other comprehensive income, net of deferred income tax | |
| Attributable to the owners of the Parent Company | 9.2 |
| Attributable to non-controlling interests | (1.2) |

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not relevant to the Group as the Group is not involved in any mining activities.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*, clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*, clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the

financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Group's financial position or performance.

Effective in 2015

- PFRS 9, *Financial Instruments*, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 and therefore the consolidated financial statements as at and for the year ended December 31, 2012 do not reflect the impact of the said standard.

The Group shall conduct another impact evaluation in early 2013 using the consolidated financial statements for the year ended December 31, 2012. Given the amendments on PFRS 9, *Financial Instruments*, the Group at present, does not plan to early adopt in 2012 financial reporting.

The Group's decision whether to early adopt PFRS 9 for its 2013 financial reporting will be disclosed in its interim consolidated financial statements as of and for the period ending March 31, 2013. Should the Group decide to early adopt the said standard for its 2013 financial reporting, its interim consolidated financial statements as of and for the period ending March 31, 2013 will reflect application of the requirement under the said standard and will contain the qualitative and quantitative discussions of the results of the Group's impact evaluation.

The Group's AFS investments may be affected by the adoption of this standard.

Effectivity date to be determined

- Philippine Interpretation IFRIC 15, *Agreements for the 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. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at September 30, 2013:

| Company | % of Ownership | Business | Jurisdiction |
|---|----------------|---------------------|-----------------------|
| A. Soriano Air Corporation | 100% | Service/Rental | Philippines |
| Pamalican Island Holdings, Inc. | 62% | Holding Company | Philippines |
| Island Aviation, Inc. | 62% | Air Transport | Philippines |
| Anscor Consolidated Corporation | 100% | Holding Company | Philippines |
| Anscor International, Inc. | 100% | Holding Company | British Virgin Island |
| IQ Healthcare Investments Limited | 100% | Manpower Services | British Virgin Island |
| Cirrus Medical Staffing, Inc. | 94% | Manpower Services | USA |
| Cirrus Holdings USA, LLC | 94% | Manpower Services | USA |
| Cirrus Allied, LLC (formerly MDI Medicals, LLC) | 94% | Manpower Services | USA |
| NurseTogether, LLC | 94% | Online Community | USA |
| AG&P International Holdings Ltd | 27% | Holding Company | British Virgin Island |
| Anscor Property Holdings, Inc. | 100% | Real Estate Holding | Philippines |
| Akapulko Holdings, Inc. | 100% | Real Estate Holding | Philippines |
| Goldenhall Corp. | 100% | Real Estate Holding | Philippines |
| Lakeroad Corp. | 100% | Real Estate Holding | Philippines |
| Mainroad Corp. | 100% | Real Estate Holding | Philippines |
| Makatwiran Holdings, Inc. | 100% | Real Estate Holding | Philippines |
| Makisig Holdings, Inc. | 100% | Real Estate Holding | Philippines |
| Malikhain Holdings, Inc. | 100% | Real Estate Holding | Philippines |
| Mountainridge Corp. | 100% | Real Estate Holding | Philippines |

| Company | % of Ownership | Business | Jurisdiction |
|--|----------------|---------------------------|---------------|
| Rollingview Corp. | 100% | Real Estate Holding | Philippines |
| Summerside Corp. | 100% | Real Estate Holding | Philippines |
| Timbercast Corp. | 100% | Real Estate Holding | Philippines |
| Sutton Place Holdings, Inc. | 100% | Holding Company | Philippines |
| Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) | 93% | Manpower Services | Philippines |
| IQ Healthcare Professional Connection, LLC | 93% | Manpower Services | United States |
| Seven Seas Resorts and Leisure, Inc. | 62% | Villa Project Development | Philippines |
| Pamalican Resort, Inc. | 62% | Resort Operations | Philippines |

On January 4, 2010, the Philippine SEC approved the amendment in IQMAN's articles of incorporation and by-laws to change IQMAN's name from International Quality Manpower Services, Inc. to Cirrus Global, Inc. (CGI).

On February 28, 2011, the Group acquired an additional 15.51% shares in SSRLI, increasing its ownership from 46.79% to 62.30%. This resulted to the acquisition by the Group of the power to govern the financial and operating policies of SSRLI, with due consideration to the terms and conditions of the management agreement with Amanresorts.

On May 5, 2011, PRI, a wholly-owned subsidiary of SSRLI, was incorporated and is mainly involved in resort operations.

In 2012, Goldenhall, Lakeroad, Mainroad, Mountainridge, Rollingview, Summerside and Timbercast, wholly-owned subsidiaries of APhi, were incorporated as real estate holding companies.

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC is based in the United States of America (USA).

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities and generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases.

Noncontrolling interests represents a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, liabilities and equities, are eliminated in full.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interest
- Derecognizes the related other comprehensive income like cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the noncontrolling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the noncontrolling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between noncontrolling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate shares of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 have not been restated.

In 2008, Sutton acquired an additional 32% interest in IQMAN, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to “Equity Reserve on Acquisition of Noncontrolling Interest” in the consolidated balance sheets.

Investments in Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost.

The Group’s share of its associates’ post-acquisition profits or losses is recognized in the consolidated statements of income, and its share of post-acquisition movements in the associates’ equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group’s interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

The following are the Group's associates:

| Company | %of Ownership | Business | Jurisdiction |
|---|------------------|--------------------|--------------|
| NewCo, Inc. | 45% | Real Estate | Philippines |
| AFC Agribusiness Corporation | 45% | Real Estate | Philippines |
| Anscor-Casto Travel Corporation | 44% | Travel Agency | Philippines |
| Phelps Dodge International Philippines, Inc. | 40% | Holding Company | Philippines |
| Minuet Realty Corporation | 60% | Landholding | Philippines |
| Phelps Dodge Philippines Energy Products Corporation | 40% | Wire Manufacturing | Philippines |
| PD Energy International Corporation | 40% | Wire Manufacturing | Philippines |
| Vicinetum Holdings, Inc. | 32% | Holding | Philippines |

Minuet has been excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statements of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statements of income.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value of instruments that are actively traded in organized financial markets is determined by reference to market prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

The inputs and assumptions used in the valuation techniques are based on market observable data and condition and reflect appropriate adjustments for credit and liquidity risks existing at each of the periods indicated.

Fair Value Hierarchy

The Company 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 a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of September 30, 2013, all of the Group's assets measured at fair value are quoted and are classified as Level 1.

| (In Thousands) | September 30 2013 | December 31 2012 |
|----------------------|----------------------|---------------------|
| FVPL investments: | | |
| Bonds | P349,626 | P481,143 |
| Funds and equities | 68,212 | 39,830 |
| Others | 10,676 | 10,196 |
| AFS investments: | | |
| Bonds | 724,309 | 746,774 |
| Quoted equity shares | 7,915,570 | 7,395,511 |
| Funds and equities | 318,178 | 286,503 |
| Proprietary shares | 187,238 | 187,238 |
| | P9,573,809 | P9,150,195 |

For the period ended September 30, 2013, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statements of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contract as of September 30, 2013.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments. These embedded derivatives include calls and puts in debt investments and interest rate options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group has opted not to designate its derivative transactions as accounting hedges. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statements of income.

Classification of financial instruments

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, 2013, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheets at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of September 30, 2013, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as September 30, 2013.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statements of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" in the consolidated statements of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, interest receivable, advances to officers and employees and other receivables.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statements of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as "Gain (loss) on sale of AFS investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statements of income when the right of payment has been established.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As of September 30, 2013, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of September 30, 2013, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheets where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheets when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

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

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows

of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statements of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" in the consolidated statements of income.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income - is removed from equity and recognized in the consolidated statements of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income. Increases in fair value after impairment are recognized in the consolidated statements of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statements of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statements of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheets.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must also be met before revenue or cost is recognized:

Sale of Goods

Sale is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on Villa Development Project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method. Under this method, revenue is recognized only when the villa clusters have been constructed, turned over to, and accepted by the buyer.

Cost of Real Estate Sold

The cost of real estate sold includes the acquisition cost of the land and total development costs upon completion.

Rendering of Services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Costs of Services Rendered

All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

All selling and general and administrative expenses are expensed as incurred.

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends

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

Rental

Rental income is accounted for on a straight-line basis over the lease term.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments and exchange differences on translating foreign operations. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV was based on the available net selling price of similar residential units sold during the year.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to

income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

| <u>Category</u> | <u>Number of Years</u> |
|--|------------------------|
| Buildings and improvements | 10 - 30 |
| Land improvements | 25 |
| Leasehold improvements* | 5 - 20 |
| Machinery and equipment | 5 - 25 |
| Flight and ground equipment | 5 - 10 |
| Furniture, fixtures and office equipment | 3 - 5 |
| Transportation equipment | 3 - 5 |

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the acquisition costs of raw lots and development costs and expenses incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statements of income in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

| <u>Category</u> | <u>Number of Years</u> |
|-------------------|------------------------|
| Land improvements | 25 |
| Buildings | 20 - 30 |
| Condominium units | 20 |

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Non-financial Assets

At each reporting date, the Group assesses whether there is any indication that its non-financial assets (namely, property and equipment, investment properties and investments in associates) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual

asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statements of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Noncurrent Assets Held for Sale and Discontinued Operations

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Depreciable assets are no longer depreciated once they are classified as noncurrent assets held for sale and discontinued operations.

In the consolidated statements of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a noncontrolling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately from the consolidated statements of income.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability was recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Treasury Shares and Contracts on Own Shares

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issue or cancellation of the Company's shares.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has a non-contributory defined benefit retirement plan.

The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability recognized in the consolidated balance sheets in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of

an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statements of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of September 30, 2013.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Operating Lease Commitments - The Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating Lease Commitments - The Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Financial assets not in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is or not in an active market. Included in the evaluation on whether a financial asset is in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statements of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).

Impairment of investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment

The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on the Group's selection of certain assumptions used by the actuaries in calculating such amounts. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other retirement obligations.

The expected rates of return on plan assets ranging from 5% to 8% was based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of end of reporting periods.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

5. 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.

Financial assets that are past due but not impaired

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

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.

The Group's total financial liabilities due to be settled within one year includes notes payable that management considers s working capital. Account payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

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.

The basic sensitivity analysis assumes that the bond's standard deviation on its historical yield for the past one year provides the basis for the range of reasonably possible change in bond prices. In establishing the relative range of bond yields based on historical standard deviation, the Group assumes a 99% confidence level.

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.

The basic sensitivity analysis assumes that the stocks' standard deviation on its historical yield for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment yields based on historical standard deviation, the Group assumes a 99% confidence level.

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.

The basic sensitivity analysis assumes that the related market indices' standard deviation on its historical yield for the past one year provides the basis for reasonably possible change in prices of the investments in mutual funds. In establishing the relative range of the market indices' yields based on historical standard deviation, the Group assumes a 99% confidence level.

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 period ended September 30, 2013.

- 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.

6. New Investment

On June 29, 2013, Anscor, through its subsidiary, signed a Definitive Agreement with AG&P (AG&P International Holdings Ltd.) for the subscription to additional preferred shares in AG&P. The additional shares will increase Anscor's shareholding to an estimated 26.75% of AG&P's enlarged equity base. The Agreement is effective upon signing but the closing of the additional investment is subject to certain conditions precedent.

The total contract price for the additional investment was US\$40 million and was determined through negotiations between the parties. The additional investment was funded through borrowings from a local bank.

AG&P is a modular fabricator of refinery and petrochemical plants, power plants, liquid natural gas facilities, mining processing, offshore platforms and civil infrastructure such as ports, bridges and water treatment and distribution facilities. The company is a pioneer in Industrial Process Outsourcing, differentiated by its integrated modular construction delivery approach, Modstruction™ that is changing how the infrastructure world conducts business. Headquartered in Batangas, Philippines, AG&P's complex modules leave its fabrication yard via heavy-lift ship or container to the US, Australia, the Arabian Gulf, Japan, SE Asia and Africa. Anscor pursued the investment as it believes in the continuing success of AG&P under its new management team and 3rd Generation Modularization, which is the integration of electrical instrumentation, mechanical and HVAC systems that are fully tested and ready to operate upon delivery.

7. Financial Condition

There was no significant change in the Company's Balance Sheet as of September 30, 2013 versus December 31, 2012 except for the increase in investment in AG & P coupled by higher long-term debt.

Cash and Cash Equivalents

The increase in cash and cash equivalents can be attributed to net cash flows generated from operating and financing activities amounting to P1.8 billion offset by cash used in investing activities.

(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 disposal for the period of about P59.7 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by P70.1 million vs. December 31, 2012 market values. These decreases were offset by unrealized foreign exchange gain related to FVPL investments amounting to P24.1 million.

Receivables

The increase in receivables was mainly due to Parent Company's advances to an associate.

Inventories

The decrease is traced to spare parts and supplies utilized for nine months by the aviation and resort subsidiaries.

Prepayments and Other Current Assets

Increase in this account can be attributed mainly to additional deposits made by aviation subsidiary in relation to the maintenance service plan for its aircrafts.

Investments and Advances

The increase in investments and advances was mainly due to additional investment made by Anscor through its subsidiary to AG & P International Holdings, Ltd. amounting to US\$40 million by end of June 2013. Equity in net earnings of associates for the period is about P151.8 million (see Note 6).

Available for Sale (AFS) Investments

Net increase in this amount amounted to P397.0 million. Additions were mostly in bonds, equity funds and traded equities. There was a decrease in market value of AFS investments, offset by foreign exchange gain from translation of foreign currency-denominated AFS investments.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P86.0 million while additions to property and equipment amounted to P331.6 million, mainly attributable to special capital expenditures of the resort subsidiary.

Goodwill

The goodwill from US-based staffing business increased by P31.5 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Other Noncurrent Assets

Change in the account balance can be attributed to the decrease in cash fund of the resort subsidiary for villa operation.

Notes Payable

The decrease in the balance was due to payment of loan by the Parent Company as of September 30, 2013.

Accounts Payable and Accrued Expenses

The increase was mainly attributable to accrual of expenses by US-based staffing business for processing of international therapists and marketing expenses for tradeshows and conferences related to promote the site and the recorded liabilities for ongoing projects of the resort subsidiary.

Dividends Payable

Dividends payable represent mainly dividend checks that were returned by the post office and which remained outstanding as of September 30, 2013 due to problematic addresses of some of the Company's stockholders. The decrease was due to presentation from January 1 to September 30, 2013 of dividend checks for deposit to stockholders' bank accounts.

Income Tax Payable

Movement in the account was attributable to income tax accrued by the group for nine months of 2013, mainly minimum corporate income tax.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed to long term loan obtained by the Parent Company amounting to P1.7 billion. The proceeds were used to finance additional investment to AG & P International Holdings Ltd.

Deferred Revenues

The slight decrease in deferred revenue pertained to revenue already recognized by Cirrus Global/IQHPC for deposits of its client staffing company for nurses that Cirrus Global had processed for deployments.

Retirement Benefits Payable

Movement in the retirement benefit payable pertains to the amount funded by the group.

Deferred Income Tax (noncurrent liability)

Decrease in the account was mainly due to the deferred tax effect on the decline in value of AFS and FVPL investments.

Other Noncurrent Liabilities

The increase was related mainly to the deposit of the villa buyer of SSRLI.

Unrealized valuation gains on AFS investments (equity portion)

The decrease in market values of AFS investments from December 31, 2012 to September 30, 2013 amounted P484.5 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.'s subsidiary IQHPC.

Noncontrolling interests (equity portion)

The slight increase in minority interest was mainly due to share of minority shareholders on income of the resort and aviation subsidiaries net of share in losses of minority shareholders of Cirrus Medical Staffing, Inc. and Cirrus Global, Inc. for the period ended September 30, 2013.

Others

There were no commitments for major capital expenditures in 2013.

8. 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 | |
|--|----------------------------|---------|
| | 2013 | 2012 |
| <i>Revenues (excluding investment gains or losses)</i> | 301,155 | 313,573 |
| <i>Investment Gains</i> | 976,908 | 793,204 |
| <i>Net Income</i> | 1,162,237 | 547,721 |
| <i>Earnings Per Share</i> | 0.48 | 0.38 |
| | | |
| <i>Market Price Per Share (PSE) *</i> | 6.45 | 4.49 |

* As of September 30, 2013 and 2012.

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

Revenues

This year's consolidated gross revenues of P2.9 billion was 11.8% higher than last year's revenue of P2.6 billion. Anscor posted higher investment gain (P793.7 million to P975.8 million) due to increased number of equities sold in the stock market. It also generated increase of equity in net earnings of associates for the first nine months of 2013. Likewise, Cirrus Group and Seven Seas' Amanpulo Resort reported improved service revenues.

Cost of Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of services of the nurse staffing business and the resort subsidiary as a result of their improved service revenues.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its foreign currency denominated investment in financial assets.

Interest Expense

The Group reported higher charges for interest expense resulting from increased loan to fund the AG & P investment.

Provision for Income Tax - net

The provision for income tax (deferred) increased mainly due to higher income of the resort group.

Noncontrolling Interests (statements of income)

Increase in minority interest was mainly due to share of minority shareholders on higher income of the resort and aviation subsidiaries, net of share in loss of minority shareholder of Cirrus Medical Staffing, Inc. and Cirrus Global, Inc. for the period ended September 30, 2013.

9. 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.

10. 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.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,238,697,391 shares of Anscor. During the first nine month of 2013, Anscorcon purchased 3.0 million Anscor shares amounting P19.4 million. It also sold 6.1 million Anscor shares of which P9.9 million reflected as reduction in cost of shares held by a subsidiary and P31.5 million as increase in additional paid in capital.
- 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.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsequent Event

On October 1, 2013, the Board of Directors approved and declared cash dividends of P0.25 per share payable on November 27, 2013 to all stockholders of record as of October 31, 2013.

12. 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 | |
|-------------------------|----------------------------|-----------|
| | 2013 | 2012 |
| <i>Volume sold (MT)</i> | | |
| <i>Domestic</i> | 8,581 | 7,890 |
| <i>Export</i> | 403 | 1,554 |
| <i>Total</i> | 8,984 | 9,444 |
| <i>Revenue</i> | 4,064,206 | 4,664,364 |
| <i>Marginal Income</i> | 923,352 | 840,161 |
| <i>Net Income</i> | 325,626 | 293,566 |

Although volume sold went down by 4.9%, with reduced metal and other production costs, the PDP Energy's marginal income increased to P923.4 million, P83.2 million better than the marginal income reported in 2012.

PDP recorded a net income of P325.6 million for nine months of 2013 that was 10.9% higher than the P293.6 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 40.92% for nine months of 2013, lower than the 2012 average occupancy rate of 46.6%. Average room rate was US\$1,055, improved from last year's average room rate of US\$1,003. Total hotel revenues amounted to P433.3 million, higher by P34.1 million from last year's revenues of P399.2 million. Gross operating profit (GOP) of P167.7 million increased versus 2012's GOP by 32.0%.

Seven Seas reported a net income of P60.4 million for nine months of 2013.

The Resort embarked on special capital expenditures to improve its existing facilities.

Cirrus Group

Cirrus Medical Staffing, Inc. had \$20.8 million in staffing revenue, a 9% increase versus the same period last year. Total revenue including the on-line (internet) division was \$21.1 million. The staffing division's growth was driven mainly by the addition of nursing recruiters at the Florida branch office, which came on-line in the first quarter of 2013. The Company's new permanent placement division, which focuses on therapy and advance practice clinicians like doctors, nurse practitioners and physician assistants, also contributed to growth.

The staffing division recorded a \$261 thousand stand-alone net income, while the on-line division is expected to have a net loss of \$242 thousand, after expenses for processing international physical therapists for \$202 thousand (of which \$105 thousand is Interco billing from an affiliate Company). The group's actual consolidated loss was \$184 thousand.

13. Financial Indicators

Significant financial indicators of the Group are the following:

| | 09/30/2013 | 9/30/2012 |
|---|-------------------|-----------|
| 1. Book Value Per Share (Note 1) | 10.45 | 10.03 |
| 2. Current Ratio (Note 2) | 2.17 | 2.79 |
| 3. Interest Rate Coverage Ratio (Note 3) | 74.23 | 95.92 |
| 4. Debt to Equity Ratio (Note 4) | 0.24 | 0.08 |
| 5. Asset to Equity Ratio (Note 5) | 1.27 | 1.10 |
| 6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues) | 47.9% | 43.4% |
| 7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent) | 10.5% | 8.8% |

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares

Note 2 – Current Assets/Current Liabilities

Note 3 – EBIT (earnings before interest and taxes)/ total interest expense

Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent

Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business).

In Thousand Pesos

| | 09/30/2013 | 09/30/2012 |
|--|-------------------|------------|
| 3. Service income | 876,068 | 836,522 |
| 4. Cost of services rendered | 744,300 | 694,894 |
| 5. Income (loss) before interest, taxes, depreciation and amortization | (3,332) | 12,253 |

Seven Seas Group

In Thousand Pesos

| | 09/30/2013 | 09/30/2012 |
|---------------------------------|-------------------|------------|
| 1. Occupancy rate | 40.92% | 46.62% |
| 2. Hotel revenue | 433,277 | 399,176 |
| 3. Gross operating profit (GOP) | 167,689 | 126,978 |
| 4. GOP ratio | 38.5% | 31.8% |
| 5. Net income after tax | 60,423 | 34,928 |

Occupancy rate is based on actual room nights sold over available room nights on a 9-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.