

COVER SHEET

for
SEC FORM 17- Q

SEC Registration Number

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COMPANY NAME

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

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7	t	h		F	l	o	o	r	,		P	a	c	i	f	i	c		S	t	a	r		B	u	i	l	d	i	n	g	,		
M	a	k	a	t	i		A	v	e	n	u	e		c	o	r	n	e	r		G	i	l		P	u	y	a	t					
A	v	e	n	u	e		E	x	t	e	n	s	i	o	n	,		M	a	k	a	t	i		C	i	t	y						

Form Type

1	7	-	Q	
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

	N	A	
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COMPANY INFORMATION

Company's Email Address

info@anscor.ph

Company's Telephone Number/s

819-0251

Mobile Number

N/A

No. of Stockholders

11,316

Annual Meeting
Month/Day

Third Wednesday of April

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Narcisa M. Villaflor

Email Address

nancievillaflor1029@gmail.com

Telephone Number/s

819-0251

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

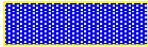
SECURITIES AND EXCHANGE COMMISSION

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, 2016
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

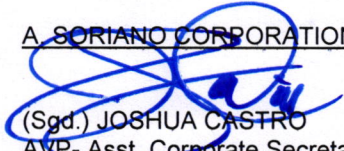
PART II – OTHER INFORMATION

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 10, 2016

Principal Financial/Accounting Officer/Controller:
Signature and Title


(Sgd.) NARCISA M. VILLAFLOR
VP - Comptroller

Date: November 10, 2016

SECForm17-Q
November 10, 2016

SEC FORM 17 – Q
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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)

	September 30	December 31
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	2,027,934	1,774,319
Fair value through profit and loss (FVPL) investments	677,897	508,977
Receivables	2,229,221	1,958,669
Inventories	669,915	700,984
Property development in progress	3,177	175,812
Available-for-sale (AFS) investments - current	24,911	56,786
Prepayments	102,707	75,182
Other current assets	93,682	81,898
Total Current Assets	5,829,444	5,332,626
Noncurrent Assets		
AFS investments - net of current portion	8,291,032	7,358,993
Investments and advances	1,876,091	1,824,260
Goodwill	1,869,105	1,852,422
Property and equipment	2,671,366	2,701,877
Investment properties	257,753	260,570
Retirement plan asset	59,010	59,483
Other noncurrent assets	141,982	102,954
Total Noncurrent Assets	15,166,340	14,160,559
TOTAL ASSETS	20,995,784	19,493,185

LIABILITIES AND EQUITY

Current Liabilities		
Notes payable	69,000	26,198
Accounts payable and accrued expenses	939,866	916,123
Dividends payable	241,914	229,649
Customer's deposits for property development	-	597,268
Income tax payable	129,516	85,381
Current portion of long-term debt	624,428	638,071
Total Current Liabilities	2,004,723	2,492,690
	September 30	December 31
	2016	2015

Noncurrent Liabilities		
Long-term debt - net of current portion	2,036,655	2,459,836
Deferred revenues	9,410	10,118
Deferred income tax liabilities - net	509,143	443,679
Retirement benefits payable	9,267	6,667
Other noncurrent liabilities	185,966	145,276
Total Noncurrent Liabilities	2,750,441	3,065,575
Total Liabilities	4,755,164	5,558,264
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	2,500,000	2,500,000
Additional paid-in capital	1,605,614	1,605,614
Cumulative translation adjustment	284,964	187,917
Equity reserve on acquisition of noncontrolling interest	(26,357)	(26,357)
Unrealized valuation gains on AFS investments	1,494,336	686,254
Remeasurement on retirement benefits	36,696	34,993
Retained Earnings		
Appropriated	6,400,000	6,300,000
Unappropriated	5,669,542	4,487,779
Cost of shares held by a subsidiary	(2,226,273)	(2,219,505)
	15,738,522	13,556,695
Noncontrolling interests	502,098	378,226
Total Equity	16,240,620	13,934,921
TOTAL LIABILITIES AND EQUITY	20,995,784	19,493,185

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
REVENUES				
Sales	4,710,898	4,638,094	1,548,474	1,519,482
Services	2,513,165	1,920,555	834,547	652,740
Sale of villas	635,146	-	342,425	-
Dividend income	148,976	175,522	79,658	12,411
Interest income	64,575	62,795	21,363	20,369
Management fee	7,984	60,618	1,615	24,174
Equity in net losses of associates	-	(316,542)	-	(105,514)
	8,080,743	6,541,042	2,828,082	2,123,661
INVESTMENT GAINS				
Gain (loss) on sale of AFS investments	499,283	983,426	240,419	(63,550)
Gain (loss) on increase (decrease) in market values of FVPL investments	33,221	(18,813)	11,922	(23,575)
	532,505	964,613	252,342	(87,125)
	8,613,248	7,505,656	3,080,424	2,036,536
Cost of goods sold/services rendered	(5,247,385)	(4,923,953)	(1,782,783)	(1,670,517)
Operating expenses	(947,361)	(1,006,903)	(291,627)	(304,927)
Cost of villas sold	(334,973)	-	(188,520)	-
Interest expense	(80,741)	(96,986)	(25,706)	(37,093)
Valuation allowances – net	(44,776)	(511)	(705)	(161)
Foreign exchange loss	(1,886)	(24,445)	(3,126)	(16,158)
Other income – net	3,718	120,313	3,946	4,896
	(6,653,404)	(5,932,486)	(2,288,521)	(2,023,960)
INCOME BEFORE INCOME TAX	1,959,843	1,573,170	791,902	12,576
PROVISION FOR INCOME TAX – net	299,369	200,055	99,340	50,444
NET INCOME (LOSS)	1,660,475	1,373,115	692,562	(37,867)

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
Attributable to:				
Equity holdings of the parent	1,528,281	1,337,641	646,117	(28,122)
Minority interest	132,194	35,474	46,445	(9,745)
	1,660,475	1,373,115	692,562	(37,867)
EARNINGS (LOSSES) PER SHARE –				
basic/diluted, for net income (loss)				
attributable to equity holdings of				
the Parent	1.24	1.08	0.52	(0.02)

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	
	2016	2015	2016	2015
NET INCOME (LOSS) FOR THE PERIOD	1,660,475	1,373,115	692,562	(37,867)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	1,301,370	(1,980,111)	774,769	(1,439,793)
Realized loss (gain) on sale of AFS investments, net of impairment losses	(499,283)	(929,671)	(240,419)	63,550
Unrealized gain on remeasurement of retirement Benefits	2,434	1,155	-	-
Cumulative translation adjustment	97,047	168,692	107,290	124,225
Income tax effect	5,265	669	1,071	15,722
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	906,832	(2,739,267)	642,711	(1,236,295)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	2,567,307	(1,366,152)	1,335,273	(1,274,163)

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 Actuarial Gains	Cumulative Translation Adjustment	Retained Earnings		Cost of Shares Held by a Subsidiary	Noncontrolling Interest	Total
	Appropriated	Unappropriated									
Balance at 12/31/2014	2,500,000	1,605,614	(26,357)	3,238,819	40,843	10,702	4,600,000	5,029,204	(2,163,649)	374,261	15,209,439
Comprehensive income	-	-	-	(2,908,767)	808	168,692	-	1,337,641	-	35,474	(1,366,152)
Cash dividends - net	-	-	-	-	-	-	-	(124,208)	-	-	(124,208)
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(55,857)	-	(55,857)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(38,883)	(38,883)
Balance at 9/30/2015	2,500,000	1,605,614	(26,357)	330,053	41,652	179,394	4,600,000	6,242,638	(2,219,505)	370,852	13,624,340
Balance at 12/31/2015	2,500,000	1,605,614	(26,357)	686,254	34,993	187,917	6,300,000	4,487,779	(2,219,505)	378,226	13,934,921
Comprehensive income	-	-	-	808,082	1,704	97,047	-	1,528,281	-	132,194	2,567,307
Cash dividends - net	-	-	-	-	-	-	-	(246,519)	-	-	(246,519)
Appropriation of retained earnings	-	-	-	-	-	-	100,000	(100,000)	-	-	-
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(6,768)	-	(6,768)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(8,322)	(8,322)
Balance at 09/30/2016	2,500,000	1,605,614	(26,357)	1,494,336	36,696	284,964	6,400,000	5,669,542	(2,226,273)	502,098	16,240,620

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,959,843	1,573,170	791,902	12,576
Adjustment for:				
Depreciation and amortization	175,010	156,624	59,179	56,035
Interest expense	80,741	96,986	25,706	37,093
Valuation allowances net of recoveries	44,776	511	705	161
Foreign exchange loss - net	10,283	27,258	19,093	1,916
Loss (gain) on sale of AFS investments	(499,283)	(983,426)	(240,419)	63,550
Dividend income	(148,976)	(175,522)	(79,658)	(12,411)
Interest income	(64,575)	(62,795)	(21,363)	(20,369)
Loss (gain) on decrease (increase) in market values of FVPL investments	(33,221)	18,813	(11,922)	23,575
Gain on sale of property and equipment	(665)	-	-	-
Equity in net losses of associates	-	316,542	-	105,514
Operating income before working capital changes	1,523,933	968,160	543,222	267,640
Decrease (increase) in:				
FVPL investments	(119,465)	211,725	(80,963)	112,802
Receivables	(315,329)	(302,177)	(77,158)	42,729
Inventories	31,069	156,270	(53,531)	9,429
Property development in progress	172,635	-	114,010	-
Investment properties	2,817	-	1,363	-
Increase (decrease) in:				
Accounts payable and accrued expenses	23,743	(127,874)	155	(91,726)
Retirement benefits payable	5,507	(3,149)	1,006	(3,603)
Customer' deposit for property development	(597,268)	400,407	(312,770)	163,196
Net cash generated from operations	727,641	1,303,362	135,334	500,467
Dividend received	148,976	175,522	79,658	12,411
Interest received	64,765	63,308	21,330	20,501

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
Interest paid	(80,741)	(96,986)	(25,706)	(37,093)
Income taxes paid	(194,169)	(159,350)	(57,510)	(53,683)
Net cash flows from operating activities	666,473	1,285,855	153,107	442,603
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	1,667,461	4,275,318	713,236	909,342
Property and equipment	703	874	37	-
Addition to:				
AFS investments	(1,215,101)	(4,143,288)	(404,165)	(835,384)
Long-term investments	-	(2,100)	-	-
Property and equipment	(144,536)	(160,997)	(63,246)	(36,049)
Decrease (increase) in:				
Prepayments and other assets	(78,338)	(304,625)	(8,414)	(48,082)
Other noncurrent liabilities	40,691	40,977	13,425	14,336
Advances to affiliates	2,034	(2,514)	1,564	(2,514)
Net cash flows from (used in) investing activities	272,913	(296,355)	252,436	1,649
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payment of):				
Long-term debt	(478,168)	980,440	(160,855)	(155,456)
Notes payable	42,802	(1,429,462)	(140,000)	(102,951)
Dividends	(234,253)	(434,733)	12,265	-
Sale shares held by a subsidiary	(6,768)	(55,857)	-	(48,028)
Increase (decrease) in:				
Deferred revenue	(708)	(2,695)	(425)	336
Minority interest	(8,322)	(38,883)	60	(69)
Net cash flows used in financing activities	(685,416)	(981,190)	(288,954)	(306,169)
EFFECT OF EXCHANGE RATE CHANGES IN				
CASH AND CASH EQUIVALENTS	(355)	74,601	4,910	82,981
NET INCREASE IN CASH AND				
CASH EQUIVALENTS	253,615	82,911	121,499	221,064
CASH AND CASH EQUIVALENTS AT				
BEGINNING OF PERIOD	1,774,319	1,401,034	1,906,435	1,262,880
CASH AND CASH EQUIVALENTS				
AT END OF PERIOD	2,027,934	1,483,945	2,027,934	1,483,945

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	September 30	December 31
	2016	2015
ASSETS		
Cash and Cash Equivalents	596,002	443,236
Fair Value through Profit and Loss (FVPL)		
Investments	660,397	498,665
Available for Sale (AFS) Investments	7,862,845	7,080,872
Receivables - net	233,422	140,461
Investments and Advances- net	8,193,958	8,132,207
Property and Equipment - net	24,981	29,727
Retirement Plan Asset	56,850	56,850
Other Assets	1,383	859
TOTAL ASSETS	17,629,838	16,382,877
LIABILITIES AND EQUITY		
Liabilities		
Notes Payable	69,000	-
Accounts Payable and Accrued Expenses	316,653	71,925
Dividends Payable	241,914	229,649
Long-term Debt	1,628,674	1,905,930
Deferred Income Tax Liabilities - net	64,116	45,417
Total Liabilities	2,320,357	2,252,921
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	1,454,390	649,259
Remeasurement on Retirement Benefits	32,505	32,505
Retained Earnings		
Appropriated	6,400,000	6,300,000
Unappropriated	3,332,787	3,058,392
Total Equity	15,309,482	14,129,956
TOTAL LIABILITIES AND EQUITY	17,629,838	16,382,877

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
REVENUES				
Dividend income (Note 1)	403,831	1,908,302	79,658	12,410
Management fees	65,514	58,773	22,416	22,329
Interest income	59,920	57,357	20,428	18,205
	529,265	2,024,432	122,503	52,944
INVESTMENT GAINS				
Gain (loss) on sale of AFS investments	498,677	984,916	240,327	(62,308)
Gains (loss) on increase (decrease) in market values of FVPL investments	32,640	(18,973)	11,743	(23,551)
	531,317	965,943	252,070	(85,859)
	1,060,582	2,990,375	374,573	(32,915)
Operating expenses	(143,803)	(180,164)	(27,689)	(28,832)
Interest expense	(41,491)	(60,946)	(13,908)	(13,917)
Foreign exchange loss	(924)	(31,152)	(3,236)	(21,808)
Others	12,059	513	64	72
	(174,159)	(271,749)	(44,769)	(64,485)
INCOME (LOSS) BEFORE INCOME TAX	886,423	2,718,626	329,804	(97,400)
PROVISION FOR (BENEFIT FROM) INCOME TAX - NET	12,028	(7,197)	4,988	(5,792)
NET INCOME (LOSS)	874,395	2,725,823	324,816	(91,608)
Earnings Per Share	0.35	1.09	0.13	(0.04)

Note 1: 2015 included special cash dividend from PDP of P1.5 billion.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
NET INCOME (LOSS) FOR THE PERIOD	874,395	2,725,823	324,816	(91,608)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	1,310,479	(1,978,465)	776,546	(1,437,624)
Realized loss (gains) on Sale of AFS investments, net of impairment losses	(498,677)	(931,161)	(240,327)	62,308
Income Tax Effect	(6,671)	814	(1,517)	11,818
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	805,131	(2,908,811)	534,702	(1,363,499)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,679,526	(182,989)	859,518	(1,455,107)

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings		Total
					Appropriated	Unappropriated	
Balance at 12/31/2014	2,500,000	1,589,800	3,202,171	36,608	4,600,000	2,248,906	14,177,485
Comprehensive income	-	0	(2,908,811)	-	-	2,725,823	(182,989)
Cash dividends	-	-	-	-	-	(250,000)	(250,000)
Balance at 09/30/2015	2,500,000	1,589,800	293,360	36,608	4,600,000	4,724,728	13,744,496
Balance at 12/31/2015	2,500,000	1,589,800	649,259	32,505	6,300,000	3,058,392	14,129,956
Comprehensive income	-	-	805,131	-	-	874,395	1,679,526
Appropriation of retained earnings	-	-	-	-	100,000	(100,000)	-
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 09/30/2016	2,500,000	1,589,800	1,454,390	32,505	6,400,000	3,332,787	15,309,482

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	886,423	2,718,626	329,804	(97,400)
Adjustment for:				
Interest expense	41,491	60,946	13,908	13,917
Depreciation and amortization	6,064	5,083	2,379	1,510
Unrealized foreign exchange loss	924	31,152	3,236	21,808
Loss (gain) on sale of AFS investments	(498,677)	(984,916)	(240,327)	62,308
Dividend income	(403,831)	(1,908,302)	(79,658)	(12,410)
Interest income	(59,920)	(57,357)	(20,428)	(18,205)
Loss (gain) on decrease (increase) in market values of FVPL investments	(32,640)	18,973	(11,743)	23,551
Valuation allowance net of recovery	(10,000)	-	(10,000)	-
Gain on sale of property and equipment	(665)	-	-	-
Operating loss before working capital changes	(70,832)	(115,795)	(12,829)	(4,921)
Increase in receivables	(92,961)	(11,203)	(76,068)	(5,282)
Decrease (increase) in FVPL investments	(112,858)	212,178	(81,600)	113,156
Increase (decrease) in accounts payable and accrued expenses	(8,754)	(201,070)	750	(125,199)
Net cash used in operations	(285,404)	(115,890)	(169,746)	(22,246)
Dividend received	403,831	1,908,302	204,658	12,410
Interest received	60,110	57,357	20,396	18,205
Interest paid	(41,491)	(60,438)	(13,908)	(13,784)
Income tax paid	-	(1,100)	-	(680)
Net cash flows from (used in) operating activities	137,047	1,788,232	41,399	(6,096)

	Periods Ended September 30		Quarters Ended September 30	
	2016	2015	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of:				
AFS investments	1,641,895	4,265,172	713,248	901,821
Property and equipment	703	-	37	-
Redemption of preferred shares	-	62,300	-	-
Additions to:				
AFS investments	(1,090,001)	(4,081,202)	(383,499)	(802,303)
Property and equipment	(1,355)	(3,101)	(218)	(2,995)
Increase in:				
Advances to affiliates	201,730	(34,824)	239,301	(78,936)
Other assets	(524)	194	(135)	(106)
Net cash flows from investing activities	752,447	208,539	568,735	17,481
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	(318,600)	(105,435)	(108,563)	(105,435)
Notes payable	69,000	(1,500,000)	(140,000)	-
Cash dividends	(487,735)	(560,525)	(241,216)	-
Net cash flows used in financing activities	(737,335)	(2,165,960)	(489,779)	(105,435)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS				
	607	67,970	3,395	55,714
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152,766	(101,220)	123,751	(38,336)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	443,236	342,806	472,251	279,923
CASH AND CASH EQUIVALENTS AT END OF PERIOD	596,002	241,587	596,002	241,587

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 Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	Eliminations	Consolidated
9/30/2016								
REVENUE	1,864,943	4,710,898	461,162	1,123,780	1,060,582	9,221,364	(608,116)	8,613,248
NET INCOME	238,592	549,299	293,490	227,157	874,395	2,182,933	(522,458)	1,660,475
TOTAL ASSETS	1,288,960	3,668,471	1,547,596	11,823,709	17,629,838	35,958,574	(14,962,790)	20,995,784
INVESTMENTS PORTFOLIO *	-	9,637	93,383	11,504,059	16,717,200	28,324,278	(17,196,594)	11,127,684
PROPERTY & EQUIPMENT	4,864	580,791	817,608	101,797	24,981	1,530,042	1,141,324	2,671,366
TOTAL LIABILITIES	178,013	1,496,874	522,617	3,872,288	2,320,357	8,390,148	(3,634,983)	4,755,164
DEPRECIATION AND AMORTIZATION	3,758	52,269	72,221	20,711	6,064	155,022	19,988	175,010

	Before Eliminations					After Eliminations		
	US-based**							
	Nurse Staffing Co.	Wire *** Manufacturing	Resort Operation	Other Operations	Holding Co (Parent)	Total	Eliminations	Consolidated
09/30/2015								
REVENUE	1,309,004	4,638,094	462,147	312,490	2,990,375	9,712,110	(2,206,454)	7,505,656
NET INCOME (LOSS)	141,550	435,860	40,619	204,430	2,725,823	3,548,281	(2,175,166)	1,373,115
TOTAL ASSETS	1,088,579	3,474,223	1,929,697	3,645,644	16,074,213	26,212,357	(6,796,166)	19,416,191
INVESTMENT PORTFOLIO *	-	8,468	111,314	3,302,775	15,591,870	19,014,427	(8,994,637)	10,019,790
PROPERTY & EQUIPMENT	4,010	567,747	825,108	89,642	30,992	1,517,499	831,505	2,349,004
TOTAL LIABILITIES	144,192	1,740,582	1,324,320	3,755,909	2,329,717	9,294,720	(3,502,869)	5,791,851
DEPRECIATION AND AMORTIZATION	2,598	52,372	72,708	23,863	5,083	156,624	-	156,624

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

** **Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.**

Note 1 Other than Cirrus Global, Inc. (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 Group'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).

Changes in Accounting Policies and Disclosures

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 Accounting Standards (PAS) which became effective on January 1, 2015.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

These improvements are effective for annual periods beginning on or after July 1, 2014. Unless otherwise stated, these amendments have no significant impact on the Group's consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition
- a performance target must be met while the counterparty is rendering service
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- a performance condition may be a market or non-market condition
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

This improvement clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). This is not relevant to the Group as it has no business combination with contingent consideration.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The disclosures required by the standard are included in the Group's consolidated financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment is not relevant to the Group's consolidated financial statements as it has not adopted the revaluation method.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the consolidated financial statements. They include:

- **PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements***
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- **PFRS 13, *Fair Value Measurement - Portfolio Exception***
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- **PAS 40, *Investment Property***
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2015

The Group will adopt the standards, interpretations and amendments listed below to existing standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the consolidated financial statements.

Effective January 1, 2016

- **PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments).** These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact to the consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Presentation of Financial Statements – Disclosure Initiative* (Amendments)

Amendments to PAS 1 are intended to assist entities in applying judgment when meeting the presentation and disclosure requirement in PFRS. The amendments clarify the following:

- that entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- that specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that it has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the consolidated financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)

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

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 19, Employee Benefits - regional market issue regarding discount rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014 or final version)*
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Group is currently assessing the impact of this standard.

- *International Financial Reporting Standard (IFRS) 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- *IFRS 16, Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use

either a full retrospective or modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Deferred

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. 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 consolidated financial statements of the Group.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at September 30, 2016 and December 31, 2015:

	Nature of Business	Percentage of Ownership	
		2016	2015
A. Soriano Air Corporation	Services/Rental	100	100
Pamalican Island Holdings, Inc.	Holding	62	62
Island Aviation, Inc.	Air Transport	62	62
Anscor Consolidated Corporation	Holding	100	100
Anscor International, Inc.	Holding	100	100
IQ Healthcare Investments Limited	Manpower Services	100	100
Cirrus Medical Staffing, Inc. (CMSI)	Manpower Services	94	94
Cirrus Holdings USA, LLC	Manpower Services	94	94
Cirrus Allied, LLC	Manpower Services	94	94
NurseTogether, LLC	Online Community Management	94	94
Anscor Property Holdings, Inc.	Real Estate Holding	100	100
Akapulko Holdings, Inc.	Real Estate Holding	100	100

	Nature of Business	Percentage of Ownership	
		2016	2015
Goldenhall Corp.	Real Estate Holding	100	100
Lakeroad Corp.	Real Estate Holding	100	100
Mainroad Corp.	Real Estate Holding	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	100	100
Makisig Holdings, Inc.	Real Estate Holding	100	100
Malikhain Holdings, Inc.	Real Estate Holding	100	100
Mountainridge Corp.	Real Estate Holding	100	100
Rollingview Corp.	Real Estate Holding	100	100
Summerside Corp.	Real Estate Holding	100	100
Timbercrest Corp.	Real Estate Holding	100	100
Phelps Dodge International Philippines, Inc.	Holding	100	100
Minuet Realty Corporation	Landholding	100	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	100	100
PD Energy International Corporation	Wire Manufacturing	100	100
Sutton Place Holdings, Inc.	Holding	100	100
Cirrus Global, Inc.	Manpower Services	93	93
IQ Healthcare Professional Connection, LLC	Manpower Services	93	93
AFC Agribusiness Corporation	Real Estate Holding	81	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	62	62
Pamalican Resort, Inc.	Resort Operations	62	62

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 are based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins 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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent 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 comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, 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 sheet.

Current Versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement 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. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

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.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

	Nature of Business	Percentage of Ownership	
		2016	2015
Vicinetum Holdings, Inc.	Holding	32	32
AGP International Holdings Ltd. (AGPI) *	Holding	27	27

** Its associate is engaged in modular steel fabrication.*

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

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 noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

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 statement 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 statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. 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.

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, 2016 and December 31, 2015, 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.

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 statement 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 contracts as of September 30, 2016 and December 31, 2015.

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

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet 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, 2016 and December 31, 2015, 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 of September 30, 2016 and December 31, 2015.

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 statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

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

(b) 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. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. 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 statement 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 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 statement of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

As of September 30, 2016 and December 31, 2015, the Group's AFS investments include investment in equity securities and bond and convertible notes.

(c) 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 statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or 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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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 sheet 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 sheet 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 statement 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 statement 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" account under "Other income (charges) - net" in the consolidated statement of income.

Assets carried at cost

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such 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 statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement 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 statement 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 statement of income, the impairment loss is reversed through the consolidated statement 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 statement 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 statement 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 is reported in the consolidated balance sheet 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 sheet.

Revenue

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 be met before revenue or cost is recognized:

Sale of goods

Sale of goods, including villa lots, 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.

Sale of real estate

Revenue of villa lots 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.

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. and UAE 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. and UAE 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.

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.

Costs and Expenses

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold

The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold

The cost of real estate sold includes the acquisition cost of the land determined based on average method.

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".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses

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

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in consolidated 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, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. 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.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

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 is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

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.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

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.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	20 - 25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
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 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. Land is subsequently carried at cost less any impairment in value.

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. 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. 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 statement of income in the year of retirement or disposal.

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 statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) 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 pretax 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 statement 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 statement 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.

Customer's Deposit for Property Development

Customers' deposit for property development, which pertain to advance payment by a villa buyer that is required to start and complete the villa development, is recognized at the fair value of the deposit received. Upon completion of the sale, the deposit will be applied against the total selling price of the villa.

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 is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents 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 declared.

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.

Cost of Shares Held by a Subsidiary

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 statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

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 statement 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 net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in 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 statement 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 balance sheet 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 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 taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, 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 are also recognized in equity and not in the consolidated statement 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.

Value-added Tax (VAT)

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

If at the end of any taxable month the output VAT exceeds the input VAT, the excess shall be paid by the Group. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding month or months. Input VAT on capital goods may, at the option of the Group, be refunded or credited against other internal revenue taxes, subject to certain tax laws.

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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, 2016 and September 30, 2015.

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 statement 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.

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.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

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 generally treats significant decline as 30% or more and prolonged decline as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for equities and future cash flows and discount factors for unquoted equities.

Impairment of AFS debt investments

For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment.

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 timing of recorded 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.

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.

Impairment of non-financial assets

(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.

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended September 30, 2016.

(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. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱105.0 million since December 31, 2009 on its investment in Cirrus.

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 cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies

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

Purchase price allocation in business combinations and goodwill

The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to P1,452.5 million based on provisional purchase price allocation. In 2015, the valuation was completed. Final goodwill amounted to P1,202.9 million. The total carrying value of goodwill amounted to P1,869.1 million and P1,852.4 million as of September 30, 2016 and December 31, 2015, respectively.

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 credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper 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. These 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 unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty 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. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit quality per class of financial assets

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

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

Liquidity risk

Liquidity risk is defined as the risk that the Group 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's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts 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, equity price risk, price risk of mutual funds, and foreign currency risk.

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.

There has been no change to the Group's manner in managing and measuring 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

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

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns 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 returns, the Group also assumes a 99% confidence level.

c. Price risk of mutual funds

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

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure 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, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages 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, PRI, SSRLI and CGI 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.

e. **Copper price risk**

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market.

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

f. ***Operating and regulatory risk***

CMSIS is accredited by the The Joint Commission, a private sector, US-based, not-for-profit organization. This accreditation significantly influences the CMSIS's credentialing and documentation processes for the traveling healthcare professionals. The Joint Commission accreditation is deemed as the Gold Seal of Standards for healthcare staffing companies and provides license to transact business with hospitals and association requiring The Joint Commission accreditation. Any changes on the accreditation rules and regulations may adversely affect the CMSIS's credentialing and operating procedures and ability to staff qualified healthcare professionals. The CMSIS manages its exposure to such risks by conducting internal audits and monitoring new rules and regulations from The Joint Commission.

With respect to its international business segment, the CMSIS is subject to regulations by the US State Department for the immigration of nurses and temporary work visa of therapists to the USA. These governmental regulations significantly influence the Group's ability to deploy nurses and therapists in the USA. The Group manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the US State Department.

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 subsidiaries and associate:

- a. The primary objective of the Group'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 Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the period ended September 30, 2016 and December 31, 2015.

- b. Cirrus' and CGI'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.

CGI monitors capital on the basis of the carrying amount of equity as presented on the face of its balance sheet.

CGI 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. Financial Instruments

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

(In thousand pesos)	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FVPL investments:				
Bonds	P652,346	P652,346	P481,185	P481,185
Funds and equities	3,516	3,516	6,352	6,352
Others	22,035	22,035	21,440	21,440
	677,897	677,897	508,977	508,977
AFS investments:				
Bonds and convertible note	956,158	956,158	907,452	907,452
Quoted equity shares	5,561,094	5,561,094	5,082,199	5,082,199
Funds and equities	157,091	157,091	108,212	108,212
Proprietary shares	191,450	191,450	190,450	190,450
Unquoted shares	1,097,634	1,097,634	861,146	861,146
	7,963,427	7,963,427	7,149,459	7,149,459
	P8,641,324	P8,641,324	P7,658,436	P7,658,436

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As September 30, 2016 and December 31, 2015, AFS investments amounting to P352.5 million and P266.3 million, respectively, were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.
- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.

- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:.

As of September 30, 2016:

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Bonds	P652,346	P652,346	P–	P–
Funds and equities	3,516	3,516	–	–
Others	22,035	22,035	–	–
	677,897	677,897	–	–
AFS investments:				
Bonds	956,158	956,158	–	–
Quoted equity shares	5,561,094	5,561,094	–	–
Funds and equities	157,091	157,091	–	–
Proprietary shares	191,450	191,450	–	–
Unquoted shares	1,097,634	-	–	1,097,634
	7,963,427	6,865,793	–	1,097,634
	P8,641,324	P7,543,690	P–	1,097,634

As of December 31, 2015:

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total				
FVPL investments:				
Bonds	P481,185	P481,185	P–	P–
Funds and equities	6,352	6,352	–	–
Others	21,440	21,440	–	–
	508,977	508,977	–	–
AFS investments:				
Bonds	907,452	907,452	–	–
Quoted equity shares	5,082,199	5,082,199	–	–
Funds and equities	108,212	108,212	–	–
Proprietary shares	190,450	190,450	–	–
Unquoted shares	861,146	-	–	861,146
	7,149,459	6,288,313	–	861,146
	P7,658,436	P6,797,290	P–	P861,146

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 10%	5% to 15%	5%: fair value of P344 15%: fair value of P347
		Tuition fee increase by 5%	0% to 5%	0%: fair value of P309 5% fair value of P389
		Cost of capital of 14%	12% to 16%	12%: fair value of P438 16%: fair value of P289
KSA	DCF Model	Dividend payout is 60 million	-5% to 10%	-5% fair value of P497 10% fair value of P556
		Liquidity discount of 20%	10% to 30%	10%: fair value of P524 30% fair value of P508
		Cost of capital of 11.5%	10% to 13%	10%: fair value of P571 13% fair value of P469

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	Enderun	KSA	Total
As at 1 January 2015	₱286	₱417	₱703
Re-measurement recognized in OCI	59	99	158
Realized gains (losses) in profit or loss	—	—	—
Unrealized gains (losses) in profit or loss	—	—	—
Purchases	—	—	—
Reclassified in discontinued operations	—	—	—
Transfer into/out of Level 3	—	—	—
Sales	—	—	—
As at 31 December 2015	345	516	861
Re-measurement recognized in OCI	—	—	—
Realized gains (losses) in profit or loss	—	—	—
Unrealized gains (losses) in profit or loss	—	—	—
Purchases	—	—	—
Reclassified in discontinued operations	—	—	—
Transfer into/out of Level 3	—	—	—
Sales	—	—	—
As at 30 September 2016	₱345	₱516	₱861

For the periods ended September 30, 2016 and December 31, 2015, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

There was no significant change in the Company's Consolidated Balance Sheet as of September 30, 2016 versus December 31, 2015.

Cash and Cash Equivalents

The increase in cash and cash equivalents can be attributed to net cash flows from operating and investing activities amounting to P939.4 million offset by cash used in financing activities of P685.4 million.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 7 and 8).

Fair Value Through Profit and Loss (FVPL) Investments

The increase in the account can be attributed to the net addition for the period of about P119.5 million. The market value of foreign denominated investment in bonds, stocks and funds increased by P33.2 million vs. December 31, 2015 values. Unrealized foreign exchange gain related to foreign denominated investments amounted to P16.2 million.

Receivables

The increase in receivables was mainly due to improved revenues of the US-based staffing and the wire manufacturing businesses.

Inventories

The decrease is traced to inventories sold by the wire manufacturing subsidiary and the spare parts and supplies utilized for nine months by the aviation and resort subsidiaries.

Property development in progress

The decrease in property development in progress pertains to cost related to villas sold in 2016 of about P335.0 million offset by additional cost incurred for various development projects.

Prepayments and other current assets

Increase in this account can be attributed mainly to prepaid expenses related to manufacturing and resort operations.

Available for Sale (AFS) Investments

Net increase in this account amounted to P900.2 million. There was an increase in market value of AFS investments of about P802.1 million and net addition to AFS investments of P 46.9 million reduced by unrealized foreign exchange loss of P51.3 million for nine months of 2016.

Investments and Advances

The increase in investments and advances was mainly due to unrealized foreign exchange gain related to foreign equity investment amounting to P53.9 million. Advances collected from associates amounted to P2.0 million for the three-quarter of 2016.

Goodwill

The goodwill from US-based staffing business increased by P16.7 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P175.0 million while net additions to property and equipment amounted to P144.5 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Other Noncurrent Assets

Change in the account balance can be attributed to the increase in fund for villa operation as a source for future maintenance and capex requirements.

Notes Payable

The increase in the account was due to availment of short term loan by the parent company.

Accounts Payable and Accrued Expenses

The increase was mainly attributable to the recorded liabilities for ongoing projects of the resort subsidiary. Also, included are payables to the suppliers of the wire manufacturing subsidiary.

Customer's deposit for property development

The decrease in the account was due to recognition revenue/gain related to sale of 2 villas

Income Tax Payable

Movement in the account was attributable to higher tax provision of PDP and Resort Group for nine months of 2016.

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to P478.2 million loan paid by the Parent Company and PDP and unrealized foreign exchange loss of P41.3 million from the translation of the foreign denominated loan as of September 30, 2016.

Deferred Income Tax Liabilities

Increase in the account was mainly due to the deferred tax effect on the increase in value of AFS & FVPL investments, accrued management fees and unrealized foreign exchange gain.

Other noncurrent liabilities

Increase in the account balance was mainly due to the payment of villa owners for future back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)

This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US\$, CTA balance increased by P97.1 million.

Unrealized valuation gains on AFS investments (equity portion)

AFS assets (mainly traded shares) were sold, the gain was realized and reflected in the consolidated statements of income and removed from the unrealized valuation gains reflected in the balance sheet. Also, the increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to P808.1 million from January 1 to September 30, 2016.

Others

There were no commitments for major capital expenditures in 2016.

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	
	2016	2015
<i>Revenues (excluding investment gains or losses) (Note 1)</i>	529,265	2,024,432
<i>Investment Gains</i>	531,317	965,943
<i>Net Income</i>	874,395	2,725,823
<i>Earnings Per Share</i>	0.35	1.09
<i>Market Price Per Share (PSE)</i>	6.10	6.39

Note 1: 2015 included special dividend of P1.5 billion paid by PDP to the Parent Company.

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

Revenues

This year's consolidated gross revenues of P8.6 billion was higher by P1.1 billion from last year revenue of P7.5 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by P555.9 million or 42.5%%, offset by lower investment gains by P432.1 million due to fewer sale of traded shares. Also, the Group recognized revenue from the sale of 2 villas by Seven Seas amounting to P635.1 million in 2016.

Cost of Goods Sold/Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of services of nurse staffing business and resort operation due to these companies increased revenues.

Operating Expenses

The group reported lower operating expenses for nine months of 2016 mainly due lower expenses of the Parent Company.

Cost of villa sold

This pertains to project cost of villa sold in 2016 by Seven Seas.

Foreign Exchange Loss

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

Interest Expense

Amount in 2016 was slightly lower than 2015 due to payment of long-term loan by the parent company.

Provision for Income Tax - net

The current provision for income tax of the group increased due to higher income tax of PDP and the resort group for the period ended September 30, 2016.

Minority Interests (statements of income)

Increase in minority interest was mainly due to share of minority shareholders in net income of resort, aviation subsidiary, Cirrus Global, Inc. and Cirrus Medical Staffing, Inc. for nine months of 2016.

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 1,267,406,746 shares of Anscor. During nine months of 2016, Anscorcon purchased 1.1 million Anscor shares amounting P6.8 million.
- 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. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended September 30	
	2016	2015
<i>Volume sold (MT)</i>		
<i>Domestic</i>	11,435	10,432
<i>Export</i>	14	10
<i>Total</i>	11,449	10,442
<i>Revenue</i>	4,710,898	4,638,094
<i>Gross Income</i>	1,123,719	922,588
<i>Net Income</i>	549,299	435,860

Volume sold was higher than last year, coupled with reduced metal and other production costs, the PDP Energy's gross margin increased to 23.9% in 2016 as against 2015's ratio of 19.9%.

PDP recorded a net income of P549.3 million for 9 months of 2016, higher by P113.4 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 41.1% for nine months of 2016, lower than the 2015 average occupancy rate of 47.6%. Average room rate was P55,071, an improvement from last year's average room rate of P48,857 due to appreciation of the US dollar vis-à-vis Philippine peso. Total hotel revenues amounted to P461.2 million, a bit lower from last year's revenues of P462.1 million. Gross operating profit (GOP) of P148.6 million increased by P14.9 million versus 2015's GOP despite a lower occupancy rate due to appreciation of US dollar vis-à-vis Philippine peso.

In addition, the resort recognized gain from sale of 2 villas amounting to P300.2 million.

Seven Seas reported a consolidated net income of P293.5 million for the three-quarters of 2016.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a consolidated operating income of \$5.0 million for year to date September 2016 versus \$3.1 million for the comparative period in 2015. The Staffing Division continued to see growth in its Travel Nursing and Travel Allied divisions, posting 44% and 47% year-over-year increases, respectively. An increase in average working headcount and focus on quality placements, with higher bill rates, and consistent work hours resulted in an improved gross margin of 26.5%.

Cirrus will continues to expand geographically and by discipline, while controlling gross margins, maximizing cost efficiency and aligning resources based on the opportunities of the company.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	09/30/2016	09/30/2015
1. Book Value Per Share (Note 1)	12.77	10.74
2. Current Ratio (Note 2)	2.91	1.79
3. Interest Rate Coverage Ratio (Note 3)	25.27	17.22
4. Debt to Equity Ratio (Note 4)	0.30	0.44
5. Asset to Equity Ratio (Note 5)	1.33	1.46
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	17.7%	17.8%
7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	9.7%	10.1%

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:

PDP Energy and PDIPI

In Million Pesos except sales volume

	09/30/2016	09/30/2015
1. Volume	11,449	10,442
2. Net Sales	4,710,898	4,638,094
3. Gross Income	1,123,719	922,588
4. Net income	549,299	435,860

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

	09/30/2016	09/30/2015
3. Service income	1,864,943	1,309,004
4. Cost of services rendered	1,369,861	939,220
5. Net Income	181,213	141,550

Seven Seas Group

In Thousand Pesos

	09/30/2016	09/30/2015
1. Occupancy rate	41.09%	47.62%
2. Hotel revenue	461,162	462,147
3. Gross operating profit (GOP)	148,573	133,649
4. GOP ratio	32.22%	28.92%
5. Net income *	293,490	40,619

* Inclusive of gain on sale of 2 villas of P300.2 million in 2016.

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.

A. SORIANO CORPORATION (Parent Only)**Receivables****(In Thousand Pesos)****September 30, 2016**

Particulars	Current	1-30 days	31-60 days	61-120	121-180	181-360	Over 1 yr.	TOTAL
BIR- Creditable Withholding tax	152	3,503	247	20,965	-	22,078	24,900	71,844
ATR KIM ENG Capital Partners, Inc (IMA)	25,000		46,000	-	-	40,000	-	111,000
Phelps Dodge - Management fees	23,906	600	3,235	-	-	-	-	27,741
Int. Receivable-Bonds-Bank of Singapore	3,189	3,510	7,201	3,967	-	-	-	17,867
Int. Receivable-Bonds-BPI	2,617	65	-	-	-	-	-	2,682
Others	446	127	360	1,354	-	-	-	2,287
Total Receivable	55,310	7,805	57,043	26,287	-	62,078	24,900	233,422