COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	2								

COMPANY NAME

A. SORIANO CORPORATION AND SUBSIDIARIES

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

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@anscor.ph	819-0251	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11,225	Third Wednesday of April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	nancie.villaflor@anscor.com.ph	819-0251	N/A

CONTACT PERSON's ADDRESS

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue 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 FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2016**

2. SEC Identification Number **PW – 02** 3. BIR Tax Identification No. **000-103-216-000**

4. Exact name of issuer as specified in its charter **A. SORIANO CORPORATION**

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

6. (SEC Use Only)
   Industry Classification Code:

7. **7/F Pacific Star Building, Makati Ave., cor Gil Puyat Avenue, Makati City** **1209**
   Address of principal office Postal Code

8. **(632) 819-0251 to 60**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock, ₱1 par value	**2,500,000,000**
Long-term commercial paper	**none**

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

    Yes [X] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange **Common stock, ₱1 par value**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 there under or Section 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 that the registrant was required to file such reports);

    Yes [X] No [ ]

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

Yes [X] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

Aggregate market value as of February 29, 2017 - P 7,856,220,643

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NOT APPLICABLE

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

Portion of the Company’s 2016 Annual Report to Stockholders is incorporated by reference into Part II of this report.

(b) Any information statement filed pursuant to SRC Rule 20;

Definitive Information Statement filed pursuant to SRC Rule 20.

(c) Any prospectus filed pursuant to SRC Rule 8.1.

Not applicable

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Soriano Corporation ("Anscor") was incorporated on February 13, 1930.

Anscor is a Philippine holding company with diverse investments. Anscor's major investments are in Phelps Dodge Philippines Energy Products Corporation ("PDP Energy"), which manufactures wire and cable products, and Seven Seas Resorts and Leisure, Inc., owner of Amanpulo Resort. It has investments in US-based nurse and physical therapists staffing company and steel modular engineering and constructions. It has other investments in companies engaged in a wide range of activities in the Philippines including aviation, nurse deployment, business process outsourcing, education and real estate. As a holding company, the principal sources of income for Anscor are: the share in net earnings of the companies in which it has investments, management fees, interest income, dividends and gains from the sale of investments mainly the trading gain on marketable securities and bonds.

In December 2014, taking most promising opportunities, Anscor raised its stake in Phelps Dodge International Philippines, Inc. (PDIPI) by acquiring the 60% stake of General Cable Corporation, making PDIPI a 100%-owned subsidiary of Anscor.

Growing the businesses is vital to Anscor's long-term success. The Company keeps a tight watch on the existing portfolio of businesses and new opportunities as they emerge.

In 2016, Anscor was able to increase revenue, manage expenses, and improve business margins and profitability of most of its operating units.

As of 31st December 2016, the Company's consolidated total assets stood at P21.5 billion. For the year ended 31st December 2016, consolidated revenues of the Company amounted to P11.9 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries/associates as of December 31, 2016:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Investment Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Investment Holding Company	Philippines
Anscor International, Inc.	100%	Investment Holding Company	British Virgin Island
IQ Healthcare Investments Limited	100%	Manpower Services	British Virgin Island
Cirrus Medical Staffing, Inc.	94%	Manpower Services	USA
Cirrus Holdings USA, LLC	94%	Manpower Services	USA

Company	Ownership	Business	Jurisdiction
Cirrus Allied, LLC (formerly MDI Medicals, LLC)	94%	Manpower Services	USA
NurseTogether, LLC	94%	Online Community	USA
AG&P International Holdings, Ltd.	27%	Modular Steel Engineering /Construction	British Virgin Island
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Investment Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Investment Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	Houston, Texas, United States
AFC Agribusiness Corporation	81%	Real Estate Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Real Estate Holding	Philippines
Vicinetum Holdings, Inc.	32%	Investment Holding Company	Philippines
Prople Limited, Inc.	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
Behavior Matrix, LLC	21%	Behavior Analytics Services	USA

Other investments of the Group include:

Enderun Colleges, Inc.	20%	Culinary School	Philippines
Direct WithHotels	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Investments

Phelps Dodge Philippines Energy Products Corporation (PDP Energy)

PDP Energy is the leading domestic integrated manufacturer of quality wires and cables.

Phelps Dodge International Philippines, Inc. (PDIPI), the parent company of PDP Energy, was incorporated in 1955 and commenced production in 1957. Its product line is composed principally of copper-based wires and cables including building wires, telecommunication cables, power cables, automotive wires and magnet wires. The principal shareholders of PDIPI are Anscor and formerly General Cable Company (GCC), the 2nd largest wire and cable manufacturing firm in the world. PDP Energy has a technical assistance contract with GCC and a management contract with Anscor covering marketing, administration and finance. The management contract provides, among others, for payment of annual management fees amounting to P7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fee (VAT exclusive). The technical assistance agreement previously transacted with GCC provided annual payment amounting to a certain percentage of audited income before tax and management and technical assistance fee (VAT exclusive). The strategy of PDP Energy is to focus on the production of higher value-added wire and cable products. All the manufacturing operation of PDIPI effective September 1998, was lodged under PDP Energy.

On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with GCC. The agreement provides that GCC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GC) wherein GC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GC) which provides, among others, the exclusive distributor, reseller and representative for the sale of GC products to customers within the Philippines.

The principal products and percentage of contribution to sales are as follows:

Product Line	2016
Building wires	75%
Communication/Special	11%
Autowires	9%
Power Cables	5%

PDP Energy's clients include telecommunication companies, contractors, building developers, power companies, government corporations and other industrial companies.

At present, PDP Energy's major suppliers of copper rods are Kembla, Metallurgie and CL Metals; suppliers of Aluminum are Mitsui & Co. Ltd. and Kanematsu; suppliers of chemicals are Matsuyama, Mitsui and Electro Marketing; suppliers of jelly are Phelps Dodge International Corp. and BP Chemical.

The Philippine wire and cable industry is comprised of both imported and domestically manufactured products. The leading four manufacturers in terms of sales are Phelps Dodge, American Wire and Cable Co., Inc., Columbia Wire and Cable Corp. and Philflex Cable Corp.

In 2009, the wholly-owned subsidiary, PEZA-registered PD Energy International Corporation (PDEIC), began exporting to Australia and India.

New products – fire rated cables, medium voltage cables, aluminum building wires and all aluminum alloys conductors – have been developed and introduced to domestic and export markets.

Pursuing its customer service, manufacturing process and cost reduction programs, the company secured ISO 9001/14001/18001 certification for Quality, Environment, and Health and Safety for PDEIC from Certification International (UK). PDP Energy also continued promoting new products and solutions, notably special cables for export, medium and high voltage cables up to 230 KV, low smoke halogen-free cables, and aluminum cables. It leveraged its medium voltage (MV) cable manufacturing facility to offer shorter delivery time of MV 35 KV cables to power utilities, and widened sales coverage to new provincial dealers and customers. It also advanced consumer education and safety awareness through the Philippine Electrical Wires Manufacturers Association's campaign against counterfeit wires.

On December 22, 2014, Anscor acquired, for P3.0 billion, General Cable's 60% stake in PDIPI, increasing Anscor's ownership to 100%.

PDP's continued focus on customer solutions helped it make significant inroads with new customers. New products and services secured for the company significantly large projects.

Highlights in 2016 included supplying cables to large projects such as the Manila Bay Resort, Kinpo Electronics, Balfour NLEX Project, Solar Philippines Calatagan Solar Farm and Epson Precision; and new products like the space aerial cable for Meralco and the Metal Clad cable for Lancaster Estates.

Seven Seas Resorts and Leisure, Inc. (SSRLI; owner of Amanpulo Resort)

Seven Seas Resorts and Leisure, Inc. was incorporated on August 28, 1990 for the primary purpose of planning, developing, operating and promoting Pamalican Island as a world class resort named Amanpulo. The Resort started commercial operations on January 1, 1994.

SSRLI owns a 40-room resort in Pamalican Island, Cuyo Palawan and operates originally two luxurious villas until 2007, each villa comprising four (4) rooms. Seven Seas is a joint venture among Anscor, Palawan Holdings, Inc. and Les Folatieres Holdings. As of December 31, 2016, the resort manages a total of 64 villa rooms available for rent under management agreement executed by Pamalican Resort Inc.(PRI) and the villa owners.

As a resort operator, principal products/services offered are as follows:

Products/Services	Markets	Contribution to revenues
Rooms	Local & international	52%
Food and Beverage	-do-	23%
Others (including villa management and handling fees)	-do-	25%

The resort's services are offered through the worldwide Aman marketing group based in Singapore, accredited travel agents, reservation sources/systems and direct selling.

Amanpulo is in competition with all other small 5 star resort companies in other destinations that are generally better known than the Philippines, such as Indonesia, Thailand and Malaysia.

Seven Seas entered into several agreements with Silverlink Group of Companies for the development, operation and promotion of Amanpulo. The term of the agreement is for 5 years, subject to renewal upon mutual agreement of both parties. The original contract expired in December 1998, renewed last December 2003 and December 2008. The last five years of the first 20-year agreements expired on June 23, 2013. These agreements are as follows: (1) Operating and Management Agreement, (2) Marketing Services Contract and (3) License Contract (4) Hotel Reservation Agreement.

On June 24, 2013, PRI and Amanresorts Management, B.V. (AMBV, the operator of Amanresorts) entered into a new Operating and Management Agreement (OMA), effective on the same date, in which PRI will pay a basic fee amounting to four percent (4%) of gross revenue and an incentive fee of ten percent (10%) based on the gross operating profit collectively known as "Management Fee". In addition to the management fees discussed, the Company shall also reimburse the AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

On June 24, 2013, the parties entered into a new marketing services agreement with the same terms and conditions except for a lower marketing fee rate which decreased from three percent (3%) to one percent (1%) of gross revenue.

Amanpulo's new spa complex, which opened in late 2010, is now fully operational, with facilities for hairdressing, gym and pilates, plunge pools and massage treatments.

On July 1, 2011, SSRLI transferred in the name of PRI all resort operation-related contracts entered into with related parties and with third parties, including its long-term loans with a bank.

On October 3, 2012, PRI entered into operating lease agreement with SSRLI covering all rights and interests in resort-related assets which include land, land improvements and building for a period beginning July 1, 2011.

As of December 31, 2013, all contracts with related parties that are related to resort operations were transferred to PRI except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable.

In 2014, SSRLI completed paving the runway and the construction of seawall on the eastern side of the island; plugging the east reef hole; and expanding the laundry and housekeeping stations. The company also extended and completely renovated the kitchen of the beach club.

The Resort completed the renovation of the beach club in 2015.

Capital improvements have focused on enhancing the cost structure and environment preservation. A new desalination plant is operating, all golf carts are solar-powered and an energy-efficient new power-generating unit will be installed in the second quarter of 2017.

Cirrus Medical Staffing, Inc. (US-based nurse and physical therapist staffing business)

In January 2008, Anscor through its wholly owned subsidiary acquired 94% interests in North Carolina-based Cirrus Medical Staffing, LLC and its travel nursing affiliate, Cirrus Holdings USA, LLC, which places registered nurses on contracts of twelve weeks or longer.

Cirrus has forged a preferred vendor relationship with the U.S.'s largest home health company. It also won the U.S. Commerce Association's 2009 Best Local Business Awards (staffing category) in both Charlotte, North Carolina and Atlanta, Georgia. Initiatives have been introduced to tap other new segments, improve lead generation and recruitment procedures and strengthen the therapy staffing business.

Demand for temporary health-care staffing in the United States grew by 13% in 2016, driven by a steady decline in the US national jobless rate and continued increase in hospital admissions. Increased patient volumes drove robust demand across all areas of health-care staffing and demand for nurses continued to outpace supply.

The national unemployment rate for registered nurses remains below 2%. In the medium term, demand will be underpinned by an ageing US and clinical population.

For the year 2016, Cirrus paid Anscor International P315.5 million through the redemption of preferred stock and cash dividends.

Cirrus also joined the ranks of the Top 50 Largest Travel Nursing Companies and the Top 100 Fastest Growing Staffing companies. Both citations testify to the hard work and dedication of Cirrus teams in the US and in the Philippines.

Cirrus Global, Inc. (CGI; formerly International Quality Manpower Services, Inc., IQMAN)

Cirrus Global, Inc. was registered and incorporated on May 14, 1999 primarily to engage in the business of recruitment of overseas workers. CGI takes placements of Filipino nurses in the United States of America (US). It is currently deploying nurses for an American hospital in Abu Dhabi and physical therapists in US.

CGI is a 93%-owned subsidiary of Sutton Place Holdings, Inc. (Sutton). Its ultimate parent company is A. Soriano Corporation.

In November 2004, Cirrus Global acquired 100% ownership interest in IQ Healthcare Professional Connection, L.L.C. (IQHPC), a limited liability corporation organized under the law of the state of Texas, United States of America.

Cirrus Global's direct placement business in Abu Dhabi, United Arab Emirates (UAE), continued to do well in partnership with one of the most sophisticated healthcare providers in the region.

Sutton Place Holdings, Inc. (Sutton)

Sutton was registered with the SEC on May 22, 1997, primarily to purchase, subscribe for or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description.

Sutton's 93% holding of Cirrus Global represents Anscor's interest in nurse recruitment in Manila for deployment of nurses and physical therapists in various client hospitals in the USA and Abu Dhabi, UAE.

KSA Realty Corporation (KSA)

KSA was registered with the SEC on August 3, 1990. Anscor exchanged its old building located at Paseo de Roxas, Makati in 1990 for an 11.42 percent stake in KSA Realty Corporation, which developed The Enterprise Center (TEC), a two tower, grade A office building located at the corner of Ayala Avenue and Paseo de Roxas in Makati. The Enterprise Center starting January 1999 was offered for office space rental. TEC is registered with PEZA as an information technology building.

In July 2009, following the Securities and Exchange Commission's approval of a decrease in its authorized capital stock, KSA retired 2.4 million preferred shares.

Despite new office spaces opening up in the Makati Central Business District and the nearby Bonifacio Global City, KSA continues to enjoy positive occupancy and rental rates.

KSA began 2016 with more than 34,000 sq.m. or 40% of its leasable spaces up for renewal. However, 89% of existing tenants eventually committed to stay in the building and most of the remaining vacant spaces were leased to new tenants. Occupancy at end of 2016 was at 97%.

During the year, KSA paid cash dividends of P800.0 million, of which P114.2 million accrued to Anscor. In 2016, Anscor increased its stake in KSA from 11.42% to 14.28%.

Enderun Colleges, Inc.

On October 15, 2008, Anscor acquired a 20% equity stake, or 16,216,217 new shares, in Enderun Colleges, Inc.

Established in 2005 by a group of business leaders, including senior executives from Hyatt Corporation in the U.S., Enderun offers a full range of bachelor's degree and non-degree courses in hospitality management, culinary arts and business.

Its main college campus in McKinley Hills, Taguig, offers 4-year bachelor's degrees in International Hospitality Management, with majors in hotel administration and culinary arts and business management. It also offers short courses and certificate programs in baking, pastry and culinary foundation, customized hospitality and language classes.

Enderun's mission is to train hospitality leaders and entrepreneurs who can compete and excel in the global marketplace. To this end, it combines high-level classroom instruction with real-world internships, and offers students the opportunity to earn international credentials.

Enderun's student population has grown close to 1,200 full-time college and certificate students, spread evenly across the school's three main degree offerings, Hospitality Management, Business Administration and Entrepreneurship.

School years 2016-17 and 2017-18 are expected to be challenging with the implementation of the Government's K to 12 program which added two years of senior high school, delaying typical university enrolment patterns for those years. Enderun has partially mitigated the impact by growing its ancillary educational offerings outside the College.

One such offering, Enderun Extension, its continuing education unit, saw its revenues rise 27.5% year-on-year to P89.5 million. A key driver has been the College's language training and tutorial business, as well as its language training camps offered to Korean and Japanese students. The College now hosts several yearly conferences with topics ranging from data analytics to restaurant entrepreneurship.

Another area of growth is the College's hotel management and consultancy arm, Enderun Hospitality Management (EHM), which operates over a dozen boutique hotel properties. EHM grew by 155.9% year-on-year and is expected to deliver double-digit growth rates in the years to come.

Enderun continues to strengthen its brand across the education, hospitality management, and food and beverage sectors as well.

AGP International Holdings Ltd.

Anscor made new investment in December 2011, placing $5.0 million in AG&P, Southeast Asia's leading modular fabricator of refinery and petrochemical plants, power plants, liquid natural gas facilities, mining processing, offshore platforms, and other infrastructure.

On June 29, 2013, Anscor through its wholly-owned subsidiary signed a definitive agreement with AG&P for the subscription to 83.9 million series C, voting preferred shares in AG&P. Series B and Series C preferred shares are convertible at the option of the holder, into class A common shares. The subscription increases Anscor's holdings to 27%.

AG&P has 110 years of experience serving clients like British Petroleum, Shell, Total and leading engineering procurement construction companies in the world's key energy and mining regions. Its prowess in modular engineering and construction has earned it a respected brand name and track record in multiple large-scale and long-term projects. It possesses ISO 9001:2008 certification, OSHAS 18001:2007 2012 and a safety record of 16 million man-hours without lost time. Its in-house training facility can turn out 1,000 skilled workers annually, whose strength is high productivity in a low-cost environment.

In August 2012, AG&P and ALE, a leading marine engineering and heavy lift company, were awarded a major two-year contract to develop, own (on a 50/50 basis), operate and maintain a proprietary Module Offloading Facility Transition Pontoon (MOFTP) for initial deployment near Darwin, Australia. The MOFTP's technological innovations overcome tidal limitations and supply-chain bottlenecks.

In October 2012, AG&P won a US$152 million contract to modularize 26 local electrical rooms (LER) and local instrumentation rooms (LIR) that will be the electrical backbone of a consortium project to provide liquid natural gas from Australia to Japan and other countries.

AG&P had its first major win in the Philippine power space in the last two decades and was awarded the site erection work for the boiler, the most critical package of the Masinloc power plant expansion. This emphasizes its re-emergence as an important contractor in the domestic market. Other project awards for AG&P were a signed contract with Fluor for the first package of the Tesoro Refinery Upgrade in Washington State, USA, and the structural steel fabrication for Lycopodium Minerals.

AG&P also acquired a stake in Gas Entec, giving the company a strong Liquefied Natural Gas (LNG) design capability and full Engineering, Procurement and Construction (EPC)credentials across the LNG supply chain, including case studies. AG&P also entered into a joint venture with Risco Energy to develop the LNG supply chain across Indonesia.

Old equipment in its Bauan Yard were replaced with state-of-the-art automated manufacturing systems, increasing theoretical module assembly to 125,000 tons per year.

While modularization will remain a key pillar, AG&P will focus on being a full integrator of LNG supply chains, aiming to become a leading tolled gas company.

Prople Limited

On November 22, 2013, Prople acquired 100% of the non-audit business of US-based Kellogg and Andelson Accountancy Corporation (K&A). Founded in 1939, K&A is a well- established accounting firm that provides tax, general accounting and consulting services to thousands of small-to-medium-sized companies in California and the Midwest. It operates out of five locations in Los Angeles, Woodland Hills, San Diego, Kansas City and Chennai (India).

Following its acquisition of K&A, Prople now employs 373 people serving over 5,500 clients from operations located in six cities worldwide.

In 2015, Prople Limited faced multiple challenges related to the 2013 acquisition of Kellogg & Andelson.

The US operation of Prople was closed and the Board of Directors approved on October 20,2016 the filing for bankruptcy under Chapter 11 - liquidation for E&A Global Management Co.

BehaviorMatrix, LLC

In October 2011, Anscor through its wholly owned subsidiary, invested $3.0 million in Predictive Edge Media Holdings, LLC (PEMH), which is building a portfolio of early stage technology companies focused on applying its proprietary artificial intelligence product to clinical drug trials, financial market performance, politics and social media.

In the first quarter of 2012, Anscor's holdings in Predictive Edge Media Holdings, LLC (PEMH) were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company.

Predictive Edge Technologies is a US-based, early-stage technology company. Its mission is to provide products and services that make practical and effective use of its patented behavioral science. This technology is based on psychological principles and state-of-the-art mathematics, that allow the company to measure and quantify emotions associated with all digital content.

In October 2016, Predictive merged with BehaviorMatrix, LLC (BM), its subsidiary, with the latter being the surviving company.

BM is a US-based data analytics firm focused on developing and bringing to market its first commercial product called "Active Insight," which will analyze consumer emotion towards specific consumer segment and brands, based on predefined analytics.

Y-mAbs Therapeutics, Inc.

In 2015 and 2016, Anscor, through its wholly-owned subsidiary, invested a total of US$1.75 million (P87.01 million) in Y-mAbs Therapeutics, Inc. (YmAbs). YmAbs is a US-based clinical stage biopharmaceutical company focused on developing new cancer treatments through immunotherapies. Its treatments could potentially reduce longer-term toxicities associated with current chemotherapeutics and provide the potential for curative therapy even for patients with widespread disease.

YmAbs' goal is to drive multiple product candidates to US Food and Drug Administration licensure. Each candidate has the potential to treat a variety of high-risk cancers.

DirectWithHotels

Anscor International, Inc. owned 15% of the shares of DirectWithHotels. DirectWithHotels is engaged in online reservations for hotels, and specializes in launching, marketing and maximizing the performance of partner hotels' websites. Its target market is small and medium-sized chains and independent hotels in Asia Pacific, Africa, North America and Latin America.

A. Soriano Air Corporation (ASAC)

ASAC was incorporated on March 28, 1985 to engage in the general business of a common and/or private carrier. Effective January 1, 1995, ASAC ceased its operations and transferred its license as operator of a common and/or private carrier to Island Aviation, Inc. (IAI), formerly A. Soriano Aviation Inc. (ASAI).

In May 2003, ASAC took over the hangar lease and the ground handling and avionics-related services that were previously performed by ASAI. Subsequently, ASAC resumed its commercial operations.

As of December 31, 2016, ASAC's operation is purely sublease of the hangar premises.

Pamalican Island Holdings, Inc. (PIHI)

PIHI was registered with the Securities and Exchange Commission on May 18, 1995 and has started commercial operations on June 2, 1995. Its primary purpose is to acquire, purchase, sell or dispose of airplanes, flying machines, or freight, or as common carriers on regularly established routes; to maintain a service station for the repair, overhauling and testing of said machines and dirigible balloons of any and all types whatsoever; to deal in parts and supplies for said machines; and, to carry for hire passengers, and to maintain supply depots for airplane and flying machines service generally.

On January 20, 1999, PIHI temporarily stopped its air charter operation and subsequently changed the nature of its business to holding company.

On June 8, 2001, the SEC approved the amended articles of incorporation of PIHI. Amendments to the First Article to change the name from Island Aviation, Inc. to Pamalican Island Holdings, Inc. and the Second Article to change the primary purpose of the Corporation – to acquire by purchase, lease, donation or otherwise, and to own, use, sell, mortgage, exchange, lease and hold for investment or otherwise, properties of all kinds, and improve, manage or otherwise dispose of buildings and houses, apartments, and other structures of whatever kind together with their appurtenances.

Island Aviation, Inc. (IAI; formerly A. Soriano Aviation, Inc., ASAI)

IAI is PIHI's wholly owned charter airline operation registered with the SEC on January 7, 1987. In May 2003, ASAI was renamed IAI, it resumed its air service operations while other activities such as aircraft hangarage, ground handling and avionics-related services were transferred ASAC.

IAI is now the exclusive air service provider of PRI/Amanpulo Resort and operates three (3) Dornier planes both for Amanpulo and charter to third parties.

Anscor Consolidated Corporation (Anscorcon)

Anscorcon was registered with the SEC on April 8, 1995 primarily to invest the Anscorcon's fund in other corporations or businesses and to enter into, make, perform and carry out contracts of every kind and for any lawful purpose pertaining to the business of Anscorcon, or any manner incident thereto, as principal agent or otherwise, with any person, firm, association or corporation.

Anscorcon used to hold the Anscor Group stake in ICTSI which was sold last May 2006. It now owns 1,267,406,746 shares of Anscor as of December 31, 2016.

Anscor Holdings, Inc. (AHI)

AHI is a wholly owned subsidiary of Anscor. AHI, formerly Goldenhall Corporation was registered with the SEC on July 30, 2012 primarily to engage in the management and development of real estate.

AHI is the landbanking company of the Group for properties in Cebu and Palawan.

<u>Other Information</u>

Except as discussed above, disclosures of the following information are not applicable for the registrant and its subsidiaries:

Business Development

- Bankruptcy, receivership or similar proceedings
- Material reclassification, merger, consolidation or purchase or sale of a significant amount of asset

Business of the Issuer

- Distribution methods of the products or services
- Status of any publicly-announced new product and services
- Competition
- Transaction with and/or related parties (except those disclosed in the notes to financial statements)
- Patents, trademarks, copyrights, licenses, franchises, royalty, etc.

- Need for any government approval of principal products and services
- Effect of existing or probable governmental regulations on the business
- The amount spent on development activities and its percentage to revenues during each of the last three years.

Anscor and its subsidiaries are not aware of any major risks involved in their businesses.

Employees

The Company and the Group as of December 31, 2016, has 23 and 739 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	9	204	213
Rank and file	14	512	526
TOTAL	**23**	**716**	**739**

- The Company and the Group were not subjected to any employees' strike in the past three years nor were there any threatening strike for the ensuing year.

- Employees of the Group are not subject to Collective Bargaining Agreement (CBA).

- The Group provides various employee benefits including health care and retirement benefits and has enjoyed good labor relations in the past.

Item 2. Properties

Anscor owns and maintains its office at 7/F, Pacific Star Building in Makati City with approximately 2,000 square meters. It also owns the following:

Shipping Centre Bldg., Intramuros, Manila	1 office condo unit/509 sq. meters

Information regarding properties of major subsidiaries and affiliates are:

- PDP Energy plants are situated on an 18.4 hectare property owned by Phelps Dodge's wholly owned subsidiary, Minuet Realty Corporation in the Luisita Industrial Park in San Miguel, Tarlac.

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. Additional 64 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2016.

- AHI has interests in land covering an area of approximately 830.12 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 40.41 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

Other Information

a) The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.
b) There were no commitments for major capital expenditures or acquisitions of properties in the next twelve months.

Item 3. Legal Proceedings

There are no material pending Legal Proceedings to which Anscor or any of its subsidiaries or affiliates is a party except:

a) ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2016, the refund process has remained pending.

b) ASAC is a defendant in labor lawsuits and claims. As of December 31, 2016 and 2015 management has recognized provisions for losses amounting to P5.7 million that may be incurred from these lawsuits.

c) IAI has a pending lease contract renewal with MIAA as of December 31, 2016.

d) Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in the normal course of their operations, which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2016 and 2015, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

Except for the matter discussed above, the Company does not believe such litigation will have a significant impact on the financial results, operations or prospects of the Company or the Group.

For the last five years and as of February 28, 2017, management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

Item 4. Submission of Matters to a Vote of Security Holders

There were no items/matters submitted during the fourth quarter of 2016 to a vote of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

PRINCIPAL MARKET - Philippine Stock Exchange

Latest Market Price – February 28, 2017

Previous Close –	P	6.41
High		6.46
Low		6.30
Close		6.43

The following are the high and low sales prices of the shares of the Company for each quarter within the last two fiscal years:

2016	**High**	**Low**
First Quarter	6.30	5.81
Second Quarter	6.28	5.95
Third Quarter	6.50	6.00
Fourth Quarter	6.20	5.71

2015	High	Low
First Quarter	7.25	6.62
Second Quarter	7.25	6.66
Third Quarter	7.09	6.01
Fourth Quarter	6.78	6.01

Source: Monthly PSE Report

Shareholdings Information

The total number of stockholders/accounts as of February 28, 2017 is 11,223 holding 2,500,000,000 shares of common stock.

The top 20 stockholders as of February 28, 2017 are as follows:

	Stockholder Name	Number of Common Shares	% of Ownership
1.	Anscor Consolidated Corporation	902,172,303	36,087
2.	PCD Nominee Corp. (Filipino)	508,805,428	20.352
3.	PCD Nominee Corp. (Non-Filipino)	506,401,252	20.256
4.	A-Z Asia Limited Philippines, Inc.	169,646,329	6,786
5.	Universal Robina Corporation	64,605,739	2.584
6.	Philippines International Life Insurance Co., Inc.	55,002,875	2,200
7.	Andres Soriano III	50,490,265	2,010
8.	C & E Holdings, Inc.	28,011,922	1.120
9.	Edmen Property Holdings, Inc.	27,511,925	1,100
10.	MCMS Property Holdings, Inc.	26,513,928	1,061
11.	Express Holdings, Inc.	23,210,457	0.928
12.	EJS Holdings, Inc.	15,518,782	0,621
13.	Intelli Searchrev Corporation	8,785,600	0.351
14.	DAO Investment & Management Corporation	8,628,406	0.345
15.	Philippines Remnants Co., Inc.	7,554,760	0,302
16.	Astrea Bizzara Corporation	3,292,615	0.132
17.	Balangingi Shipping Corporation	2,767,187	0.111
18.	Northpaw Incorporated	2,705,000	0,108
19.	Jocelyn C. Lee	2,000,000	0.080
20.	Lennie C. Lee	2,000,000	0.080
	Total	2,415,624,773	96,614

The above shareholdings do not materially affect the holdings of the 5% beneficial owners, each director and nominee and all the directors and officers as a group

Dividends

In 2016, the Board of Directors declared the following cash dividend:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	P 0.20	2-Mar-16	23-May-16	20-Apr-16

The cash dividend declared by the Board in 2015 was:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	P 0.10	15-April-15	06-May-15	26-May-15

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of December 31, 2016, the Company has sufficient retained earnings available for dividend declaration.

The undistributed earnings of subsidiaries and associates amounting to P2.6 billion and P1.6 billion as of December 31, 2016 and 2015, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

Item 6.	Management's Discussion and Analysis or Plan of Operation

Consolidated Financial Information
(In Million Pesos Except Per Share Data)

YEAR	NET INCOME	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2016	1,522.8	16,234.7	1,232.7	1.24	13.17
2015	1,282.8	13,556.7	1,244.6	1.03	10.99
2014	2,041.1	14,835.2	1,254.0	1.63	11.94
2013	1,358.0	13,637.9	1,261.0	1.08	10.82
2012	1,467.9	12,211.7	1,374.3	1.07	9.71

YEAR	GROSS ***REVENUE	TOTAL ASSETS	INVESTMENT PORTFOLIO
2016	11,886.3	21,527.5	13,196.6
2015	10,655.3	19,552.4	11,859.4
2014	3,834.8	21,426.4	14,310.0
2013	3,525.1	17,326.5	14,721.3
2012	3,716.5	13,949.9	11,551.6

* *Ratio of net income attributable to equity holders of the parent to weighted average number of shares outstanding during the year.*

** *Ratio of equity attributable to equity holders of the parent to outstanding number of shares as of end-December.*

*** *2015 and 2016 included PDP Group's gross revenues.*

Below are the key performance indicators of the Company:

Over the last three years, consolidated revenues and net income from operations are as follows (in thousand pesos except earnings per share):

	Years Ended December 31		
	2016	2015	2014*
REVENUES			
Sale of goods - net of discount and allowances of ₱ 74.83 million in 2015	**₱6,608,155**	₱6,102,269	₱-
Services	**3,483,481**	2,747,521	1,983,853
Sale of real estate	**633,912**	293,036	–
Dividend income	**218,798**	209,652	260,862
Interest income	**95,312**	83,315	96,439
Management fee	**–**	–	78,344
Equity in net earnings	**(72,774)**	153,954	(293,267)
	10,966,884	9,589,747	2,566,639
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments	**555,619**	1,091,214	1,661,986
Long-term Investments	**343,158**	–	56,059
Loss on decrease in market values of FVPL investments	**20,589**	(25,654)	(9,487)
	919,366	1,065,559	1,708,558
TOTAL	**11,886,250**	10,655,307	3,834,789
INCOME BEFORE INCOME TAX	**2,113,987**	1,672,659	2,064,102
PROVISION FOR INCOME TAX	**423,696**	309,398	29,360
NET INCOME	**₱1,690,291**	₱1,363,262	₱2,034,742
Attributable to:			
Equity holdings of the Parent	**₱1,522,797**	₱1,282,783	₱2,041,142
Noncontrolling interests	**167,494**	80,479	(6,400)
	₱1,690,291	₱1,363,262	₱2,034,742
Earnings Per Share			
Basic/diluted, for net income attributable to equity holdings of the Parent	**₱1.24**	₱1.03	₱1.63

* *PDP Group's revenues, costs and expenses were not included in 2014 since PDP Group was still an associate. In 2016 and 2015, management fees for PDP Group were eliminated as PDP is now a subsidiary.*

Significant financial indicators of the Group are the following:

	12/31/2016	12/31/2015	12/31/2014
Book Value Per Share (Note 1)	**13.17**	10.99	11.94
Current Ratio (Note 2)	**3.01**	2.13	1.28
Interest Rate Coverage Ratio (Note 3)	**20.39**	15.35	34.64
Debt to Equity Ratio (Note 4)	**0.29**	0.41	0.41
Asset to Equity Ratio (Note 5)	**1.33**	1.44	1.44
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**12.81%**	12.10%	47.9%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**9.38%**	9.46%	13.8%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The Key Financial Indicators of our Major Subsidiaries are the following:

PDP Energy and PDIPI

In Million Pesos

	12/31/2016	12/31/2015	12/31/2014
1. Net sales	**6,608**	6,102	6,552
2. Gross profit	**1,358**	1,126	1,123
3. Net income	**751**	574	536

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

	12/31/2016	12/31/2015	12/31/2014
3. Service income	**2,572,502**	1,850,445	1,250,017
4. Cost of services rendered	**2,026,219**	1,468,253	1,018,339
5. Net income	**184,916**	108,864	32,367

Seven Seas Group

In Thousand Pesos

	12/31/2016	12/31/2015	12/31/2014
1. Occupancy rate	**44.4%**	47.2%	34.4%
2. Hotel revenue	**678,913**	644,509	527,137
3. Gross operating profit (GOP)	**240,417**	196,728	56,877
4. GOP ratio	**35.4%**	30.5%	11.8%
5. Resort net income	**36,677**	6,261	(41,700)
6. Villa development/lease net income	**342,867**	159,694	9,406
7. Consolidated net income (loss)	**379,544**	165,955	(32,294)

Occupancy rate is based on actual room nights sold over room nights on a 12-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. Villa development operation's net income in 2016 and 2015 amounted to P342.9 million (from sale of 2 villas) and P159.7 million (from sale of a villa), respectively.

<u>Financial Performance Year 2016</u>

Anscor's consolidated net income of P1.5 billion was an improvement over the P1.3 billion net profit achieved in the previous year. Consolidated revenues were P11.9 billion against P10.7 billion in 2015.

The slowdown in the stock market in the second half of 2016 contributed to the lower gain on the sale of traded shares, from P1.09 billion in 2015 to P0.56 billion in 2016. Similarly, the significant decline in market price of ICTSI as compared to our cost resulted in the take-up of the impairment provision in 2016 amounting to P590.9 million which was mandated by the accounting rules.

On the other hand, the value of Anscor's unsold investments in other traded shares, bonds and equity funds increased by P1.2 billion which was reflected in the balance sheet and comprehensive income. The gains will be recognized upon the sale of these investments.

Anscor core investments in traded shares generated a dividend income of P82.7 million, lower than the P125.4 million dividends in 2015, due to the reduced size of the equity portfolio. These investments include International Container Terminal Services, Inc., Aboitiz Power Corporation, Megawide Construction Corporation, and iPeople (which operates the Mapua Institute of Technology).

Interest income of P95.3 million was slightly higher than the results of the previous year. The loss reported in 2015 on our FVPL investments reversed to a gain of P20.6 million in 2016.

With the depreciation of the Philippine peso against the US dollar, the value of Anscor's foreign currency-denominated investments improved and net of a foreign exchange loss on its dollar loans, the Company posted a consolidated foreign exchange gain of P5.4 million in 2016 against a loss of P28.9 million last year.

In December 2016, after extensive review, Anscor took advantage of the buoyant property market in the Cebu Business District and sold its long-held lot in the Cebu Business Park, for a gain of P343.2 million.

On April 20, 2016, Anscor paid a cash dividend of P0.20 per share or a total of P500.0 million.

In June 2016, Anscor increased from 11.3% to 14.28%, its existing shareholdings in KSA, owner of The Enterprise Center located in Ayala Avenue, Makati City.

The Company paid down P340.0 million of principal to end the year with P1.6 billion of debt against P1.9 billion at the end of 2015.

Anscor's book value per share increased from P10.99 to P13.17 as of December 31, 2016, due mainly to a recovery in value of its traded equities.

Investments – Group Operations

(In Million Peso)	**2016**	2015
PHELPS DODGE PHILIPPINES ENERGY PRODUCTS CORPORATION (NOTE 1)		
Revenues	6,608	6,102
Net Income	751	574
Total Assets	3,905	3,489
Equity	2,379	1,872
CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES		
Revenues	2,573	1,851
Net Income	185	109
Total Assets	1,151	1,041
Equity	515	912
SEVEN SEAS RESORTS AND LEISURE, INC.		
Revenues (resort and villa development operations)	1,322	994
Net Income (Loss) (Note 2)	380	167
Total Assets	1,631	1,799
Equity	1,113	732

(In Million Peso)	**2016**	2015
REVENUES - OTHER AFFILIATES		
KSA Realty Corporation	1,092	992
Prople Limited	270	442
Enderun Colleges, Inc.	560	493
Island Aviation, Inc.	174	177
Cirrus Global, Inc. (consolidated; formerly IQMAN)	108	64

Available figures as of March 3, 2017.
Note 1: Inclusive of PD Energy International Corporation's financial information.
Note 2: Including villa development division's net gain on sale of villas of P331.0 million in 2016 and P113.0 million in 2015.

Phelps Dodge International Philippines, Inc. (PDP, a wholly-owned subsidiary of Anscor)

The continued buoyant construction activity pushed PDP's performance to new highs, leading to a 13% increase in sales tonnage and a 31 % increase in profits over last year. Despite lower copper prices, PDP revenues increased to P6.6 billion from P6.1 billion and generated a record profit of P750.6 million.

During the year, PDP paid Anscor a cash dividend and management fees of P250.0 million and P82.0 million, respectively.

The robust performance was due to a multitude of factors that included: value engineering studies to reduce product costs, increased operating efficiencies through lean manufacturing systems, strong partnership with our dealers, management of market price, efficient sales coverage and cost controls. Recent investments in expanded plant capacity have been justified by this year's strong demand.

PDP's continued focus on customer solutions helped it make significant inroads with new customers. New products and services secured for the company significantly large projects.

Highlights included supplying cables to large projects such as the Manila Bay Resort, Kinpo Electronics, Balfour Nlex Project, Solar Philippines Calatagan Solar Farm and Epson Precision; and new products like the space aerial cable for Meralco and the metal clad cable for Lancaster Estates.

A solid partnership with dealers significantly increased volume from PDP's dealer network in the mature Greater Manila area market and in the provinces.

A major accomplishment is PDP's safety record of no incident for the year.

PDP will continue to seek opportunities to offer improved services and products and to explore new markets and product lines.

Cirrus Medical Staffing, Inc. (93.6% owned by Anscor)

Demand for temporary health-care staffing in the United States grew by 13% in 2016, driven by a steady decline in the US national jobless rate and continued increase in hospital admissions. Increased patient volumes drove robust demand across all areas of health-care staffing and demand for nurses continued to outpace supply.

The national unemployment rate for registered nurses remains below 2%. In the medium term, demand will be underpinned by an ageing US and clinical population.

In 2016, Cirrus' consolidated revenue exceeded the growth of the industry and reached an all-time high of P2.6 billion, a 39% increase over 2015. The Travel Nursing and Travel Allied business units grew by 44% and 42%, respectively. With the increased demand, Cirrus selectively added throughout the year to its sales, finance and back office capabilities.

Consolidated operating income was P293.4 million, a 67% increase over that of 2015. Improved profitability was driven by top line growth, steady gross margins and the control of sales and general administration expenses.

For the year 2016, Cirrus paid Anscor P315.5 million through the redemption of preferred stock and cash dividends.

Cirrus also joined the ranks of the Top 50 Largest Travel Nursing Companies and the Top 100 Fastest Growing Staffing companies. Both citations testify to the hard work and dedication of teams in the US and in the Philippines.

Seven Seas Resorts And Leisure, Inc. (Owner of Amanpulo Resort, 62.3% owned by Anscor)

Amanpulo generated 6,503 room nights and total revenue of P678.9 million, a 5.3% improvement over last year. Lower occupancy was offset by an increase in the average room rate due to the depreciation of the Peso against the US dollar. Room nights from local tourists continued to increase while bookings from foreign visitors fell.

The number of villas in the rental pool increased as new villas became operational last December and total villa nights sold increased by 29%. The Resort's share in the villa revenue increased by 25.6% to P94.3 million.

Higher revenues from the casitas and villas raised gross operating profit from 30.6% to 35.5%, an increase of P43.7 million. Two villas sold in 2016 generated a one-time gain of P331.0 million. Total consolidated net income of the Group rose from P166.0 million in 2015 to P379.5 million in 2016, of which P236.4 million accrued to Anscor.

Capital improvements have focused on enhancing the cost structure and environment preservation. A new desalination plant is operating, all golf carts are solar-powered and an energy-efficient new power generating unit will be installed in the second quarter of 2017.

AG&P International Holdings Ltd. (27.07% owned by Anscor)

In 2016, as a result of the recovery of all costs accrued in the preceding years, AG&P Group delivered US$148.5 million of revenue and a net income of US$30.5 million. Further accomplishments included a significant reduction of corporate overhead from US$40.0 million in 2015 to US$19.3 million in 2016, paying down approximately one-third of outstanding debt and extending the term of the remaining loans.

AG&P had its first major win in the Philippine power space in the last two decades and was awarded the site erection work for the boiler, the most critical package of the Masinloc power plant expansion. This emphasizes its re-emergence as an important contractor in the domestic market.

Other project awards for AG&P were a signed contract with Fluor for the first package of the Tesoro Refinery Upgrade in Washington State, USA, and the structural steel fabrication for Lycopodium Minerals.

AG&P also acquired a stake in Gas Entec, giving the company a strong Liquefied Natural Gas (LNG) design capability and full Engineering Procurement and Construction (EPC) credentials across the LNG supply chain, including case studies. AG&P also entered into a joint venture with Risco Energy to develop the LNG supply chain across Indonesia.

Old equipment in its Bauan Yard were replaced with state-of-the-art automated manufacturing systems, increasing theoretical module assembly to 125,000 tons per year.

While modularization will remain a key pillar, AG&P will focus on being a full integrator of LNG supply chains, aiming to become a leading tolled gas company.

Enderun Colleges, Inc. (20% owned by Anscor)

For the fiscal year June 1, 2015 to May 31, 2016, Enderun Colleges posted a consolidated income before tax of P109.4 million. Enderun's adjusted EBITDA for the fiscal year was P160.9 million, 15.6% higher than the previous year.

Enderun's student population has grown close to 1,200 full-time college and certificate students, spread evenly across the school's three main degree offerings, Hospitality Management, Business Administration and Entrepreneurship.

School years 2016-17 and 2017-18 are expected to be challenging with the implementation of the Government's K to 12 program which added two years of senior high school, delaying typical university enrolment patterns for those years. Enderun has partially mitigated the impact by growing its ancillary educational offerings outside the College.

One such offering, Enderun Extension, its continuing education unit, saw its revenues rise 27.5% year-on-year to P89.5 million. A key driver has been the College's language training and tutorial business, as well as its language training camps offered to Korean and Japanese students.

The College now hosts several yearly conferences with topics ranging from data analytics to restaurant entrepreneurship.

Another area of growth is the College's hotel management and consultancy arm, Enderun Hospitality Management (EHM), which operates over a dozen boutique hotel properties. EHM grew by 155.9% year-on-year and is expected to deliver double-digit growth rates in the years to come.

Enderun continues to strengthen its brand across the education, hospitality management, and food and beverage sectors as well.

For the calendar year 2016, Enderun paid cash dividends of P106.8 million, of which P21.9 million accrued to Anscor.

KSA Realty Corporation (14.28% owned by Anscor)

Despite new office spaces opening up in the Makati Central Business District and the nearby Bonifacio Global City, KSA continues to enjoy positive occupancy and rental rates.

KSA began 2016 with more than 34,000 sq.m. or 40% of its leasable spaces up for renewal. However, 89% of existing tenants eventually committed to stay in the building and most of the remaining vacant spaces were leased to new tenants. Occupancy at end of 2016 was at 97%.

Average rental yields are among the highest in Makati and by the end of the year, stood at P1,190 per sq.m. compared with P1,110 at the end of the previous year.

The higher occupancy and rental yield translated into a 10% increase in rental income of P1.1 billion and a net income of P877 million, 11 % higher than last year's net income, before gain on revaluation. KSA declared and remitted cash dividends of P800.0 million, of which P114.2 million was paid to Anscor.

Financial Condition

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

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2016 and 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 P1.6 billion offset by cash used in financing activities of P1.0 billion.

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

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 P202.8 million. The market value of foreign denominated investment in bonds, stocks and funds increased by P20.6 million vs. December 31, 2015 values. Unrealized foreign exchange gain related to foreign denominated investments amounted to P37.3 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 by the aviation and resort subsidiaries.

Property development in progress
The decrease in property development in progress pertained to cost related to villas sold in 2016 of about P285.5 million offset, by additional cost incurred for various development projects.

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

Available for Sale (AFS) Investments
Net increase in this account amounted to P945.4 million. There was an increase in market value of AFS investments of about P1.2 billion, net addition of P292.3 million and unrealized foreign exchange gain of P44.0 million, reduced by set up of impairment provision of P590.9 million.

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.

Goodwill
The goodwill from US-based staffing business increased by P37.1 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 P234.1 million while net additions to property and equipment amounted to P179.9 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Investment Properties
The decrease in this account was due to disposal of the lot in Cebu Business Park to a third-party buyer through the sale of 100% outstanding shares of stock of Uptown Kamputhaw Holdings, Inc., formerly APHI.

Other Noncurrent Assets
Change in the account balance can be attributed to the increase in refundable deposits for future maintenance requirements of the aviation and resort subsidiaries.

Notes Payable
The increase in the account was due to availment of short term loan by the medical staffing subsidiary.

Accounts Payable and Accrued Expenses
The increase was mainly attributable to the recorded liabilities for completed projects of the Seven Seas Group. Also, included are payables to the suppliers of the wire manufacturing subsidiary.

Dividends Payable
Increase in the dividends payable was due to dividend checks that were returned by the post office and which remained outstanding as of December 31, 2016 due to problematic addresses of some of the Company's stockholders.

Customer's Deposit for Property Development
The zero balance of the account was due to recognition of revenue/ gain related to sale of 2 villas of Seven Seas.

Income Tax Payable
Movement in the account was attributable to higher tax provision of PDP and the Resort Group for 2016.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to P635.6 million loan paid by the Parent Company and PDP and unrealized foreign exchange loss of P83.3 million from the translation of the foreign denominated loan as of December 31, 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-a-vis US$, CTA balance increased by P192.3 million.

Unrealized valuation gains on AFS investments (equity portion)
The increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to P1.2 billion from January 1 to December 31, 2016.

Others
There were no commitments for major capital expenditures in 2016.

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 discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2016 as compared to consolidated results for the year ended December 31, 2015.

Revenues
This year's consolidated gross revenues of P11.9 billion was higher by P1.0 billion from last year revenue of P10.7 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by P736.0 million or 26.8%, offset by lower investment gains by P146.2 million due mainly to lower gain on sale of traded shares. Also, the Group recognized a revenue from the sale of two (2) villas by Seven Seas amounting to P633.9 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 due to improvement in its revenues while the increase in cost of goods sold can be attributed to the manufacturing subsidiary.

Operating Expenses
The group reported higher operating expenses for 2016 mainly due to increased expenses of PDP, the staffing business and the resort group for the period ended December 31, 2016.

Cost of Real Estate
This pertains to project cost of villas sold in 2016 by Seven Seas.

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

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

Others income (charges) - net
For 2016, the Parent Company provided valuation allowances for AFS investments amounting to P590.9 million. Valuation allowances in 2015 were higher at P805.2 million.

Provision for Income Tax - net
The current provision for income tax of the group increased due to higher income of PDP, the staffing business and the resort group for the period ended December 31, 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 2016.

Year Ended December 31, 2015 Compared with Year Ended December 31. 2014 (as reported in 2015 SEC 17-A)

There was no significant change in the Company's Balance Sheet as of December 31, 2015 versus December 31, 2014 except for the decrease in unrealized valuation gain on AFS investments from P3.2 billion to P686.3 million due to the decrease in prices of Anscor's traded shares**.**

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2015 and 2014.

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 P1.2 billion offset by cash used in financing activities of P781.7 million.

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

Fair Value Through Profit and Loss (FVPL) Investments
The decrease in the account can be attributed to the net disposal for the period of about P64.4 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by P22.3 million vs. December 31, 2014 values.

Receivables
The increase in receivables was mainly due to receivables of the Resort, the US-based staffing business and the wire manufacturing business.

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

Available for Sale (AFS) Investments (current and noncurrent)
Net decrease in this account amounted to P2.7 billion. There was a decrease in market value of AFS investments of about P2.5 billion offset by net addition to AFS investments of P628.4 million for 2015. Also, the Group set up valuation allowances of P805.2 million for its investments.

Investments and Advances
The increase in investments and advances were due to equity in net earnings of associates for the period amounting to P154.0 million, unrealized foreign exchange gain related to foreign equity investment amounting to P119.9 million and additional investments of P2.1 million.
Goodwill
The goodwill from US-based staffing business increased by P32.6 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 P236.8 million while net additions to property and equipment amounted to P237.3 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries arising mainly from remeasurement of plan assets.

Other Current Assets/Noncurrent Assets
Change in the account balance can be attributed to the increase in project costs for the remaining villas that are still under construction by Seven Seas and reclassification from noncurrent to other current assets for project costs of Seven Seas. This caused the other noncurrent assets to decrease from P191.6 million to P100.5 million.

Notes Payable
The decrease in the balance was mainly due to payment of P1.5 billion short-term loan of the Parent Company out of cash dividend paid by PDP.

Accounts Payable and Accrued Expenses
The decrease was attributable to payment of liabilities to contractors for ongoing projects of the resort subsidiary and payment of trade payables by PDP and Seven Seas.

Dividends Payable
Decrease in the account was mainly attributable to dividend checks issued and paid last January 7, 2015 but declared in November 2014 at P0.20/share. The balance as of December 31, 2015 represents unclaimed dividend checks of stockholders with problematic addresses.

Customer's Deposits for Property Development
The increase in the account was due to additional payments of two villa buyers of Seven Seas.

Income Tax Payable
Movement in the account was attributable to higher tax provision of the Group mainly Seven Seas and PDP for the year 2015.

Long-term Debt (current and noncurrent)
The increase in the account can be attributed to P1.2 billion loan availed by PDP, offset by current portion of debt paid by the resort subsidiary and the Parent Company.

Deferred Revenue
The slight decrease in deferred revenue pertained to revenue that was recognized by Cirrus Global, Inc. from payments of its client hospital when the nurses were deployed.

Deferred Income Tax Liabilities
Increase in the account was mainly due to deferred tax effect of the fair value adjustment on unquoted AFS investments, specifically for KSA and Enderun.

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

Cumulative Translation Adjustment
The increase includes upward adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC dollar-denominated assets.

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 decrease is mainly attributable to the decline in market values of AFS investments, mainly traded equities, amounting to P2.6 billion from January 1 to December 31, 2015.

Others
There were no commitments for major capital expenditures in 2015.

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 discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2015 as compared to consolidated results for the year ended December 31, 2014 (2015 included the revenue, costs and expenses of PDP Group):

Revenues
This year's consolidated gross revenues of P10.6 billion was 148.9% higher than last year's revenue of P4.3 billion. This was mainly due to the inclusion of PDP's P6.1 billion revenues for the period January 1 to December 31, 2015 which was zero for the year 2014. Higher revenues were registered by the Resort and staffing subsidiaries.

Cost of Goods Sold/Services Rendered
Increase in cost services rendered was mainly attributable to higher cost of services of nurse staffing business and resort operation while cost of goods sold was higher due to the consolidation of PDP's cost for the period January 1 to December 31, 2015 which was zero for the year 2014.

Operating Expenses
Operating expenses increased as a result of consolidation of PDP operating expenses for the period January 1 to December 31, 2015 which was zero for the year 2014.

Interest Expense
The Group reported higher interest charges mainly due to the PDP and parent company's long-term loans.

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, partially offset by foreign exchange gain on foreign currency denominated investment holdings of the Parent Company.

Other Income (Charges) – net

Change in the account was mainly due to valuation allowances of P802.8 million recorded by the parent company for its investments.

Provision for Income Tax - net

The current provision for income tax of the group increased due to consolidation of PDP‘s income tax expense for the period January 1 to December 31, 2015.

Noncontrolling interest (statements of income)

Increase in minority interest was mainly due to share of minority shareholders in net income of resort, aviation subsidiary, Cirrus Medical Staffing, Inc. and Cirrus Global, Inc. for the period ended December 31, 2015.

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013 (as reported in 2014 SEC 17-A)

There was no significant change in the Company's Balance Sheet as of December 31, 2014 versus December 31, 2013.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2014 and 2013:

Cash and Cash Equivalents

The increase in cash and cash equivalents can be attributed to consolidation of PDIPI putting in additional cash of about P661.0 million to the Group.

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

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 P125.3 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by P9.5 million vs. December 31, 2013 values.

Receivables

The increase in receivables was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Inventories

Inventories increased by P817.5 million; one of the reasons was the consolidation of PDIPI inventories. Also, minimal purchases were made in 2014 for spare parts and supplies needed by the aviation and resort subsidiaries.

Prepayments

Increase in this account can be attributed mainly to prepaid expenses related to resort operation.

Available for Sale (AFS) Investments

Change in the account can be attributed mainly to the net additions that were mostly in bonds, equity funds and traded equities amounting to P554.2 billion. There was a decrease of about P445.1 million in market value of AFS investments. Foreign exchange loss from translation of foreign currency-denominated AFS investments amounted to P7.8 million.

Valuation allowances on the AFS on its quoted and unquoted equity investments amounted to P259.9 million.

Investments and Advances

By consolidating PDIPI, investments and advances decreased by P1.2 billion, the recorded value of the 40% holdings of Anscor in PDP Group held as investment in associate as of December 19, 2014. Equity in net earnings of associates for the period amounts to P147.1 million and unrealized foreign exchange gain related to foreign equity investment amounted to P14.6 million.

Valuation allowances related to long-term investments amounted to P440.4 million.

Goodwill

The provisional goodwill that arises from the acquisition of PDIPI amounted to P1.4 billion. Goodwill from US-based staffing business increased by P4.5 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

The consolidation of PDIPI increases the property and equipment by P543.9 million. As required by the new accounting standard for business combination, the net assets of PDIPI were valued at P3.4 billion, resulting in an upward adjustment in fair value attributable to property and equipment amounting to P707.6 million.

Depreciation charged to operations amounted to P132.9 million while additions to property and equipment amounted to P196.9 million, mainly attributable to special capital expenditures of the resort subsidiary.

Investment Properties

Change in the account was mainly due to consolidation of newly acquired real estate holding subsidiary, AFC Agribusiness Corporation.

Other Noncurrent Assets

Change in the account balance can be attributed to the increase in villa development cost incurred by Seven Seas.

Notes Payable

The increase in the account can be attributed mainly to short loan obtained by the Parent Company amounting to P1.5 billion, proceeds of which were used to purchase the 60% of PDIPI from General Cable.

Accounts Payable and Accrued Expenses

The change in the account was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Dividends Payable
Increase in dividend payable was due to accrual of dividend which was declared in November 20, 2014 and paid on January 7, 2015.

Customers' Deposits for Property Development
The increase in the account was due to additional deposits made by villa buyers.

Income Tax Payable
Movement in the account was attributable to higher tax provision of the Group for 2014.

Long-term Debt (current and noncurrent)
The increase in the account can be attributed mainly to the converted short-term loan to long-term loan by the aviation subsidiary and unrealized foreign exchange loss upon translation of dollar denominated loan of the Parent Company.

Deferred Income Tax Liability
Change in the account was mainly due to deferred tax effect of the fair value adjustment on property, plant and equipment of PDIPI amounted to P212.3 million (30% of P707.6 million).

Cumulative Translation Adjustment
This account included translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC.

Unrealized Valuation Gains on AFS Investments (equity portion)
The decrease in market values of AFS investments from December 31, 2013 to December 31, 2014 amounted P437.1 million, net of deferred income taxes. When the AFS assets are sold, the gain was realized and reflected in the consolidated statements of income and removed from the unrealized valuation gains.

Remeasurement on Retirement Benefits
Change in this account pertains to actuarial gain due to higher actual vs. projected rate of return on plan assets.

Others
There were no commitments for major capital expenditures in 2014.

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 discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2014 as compared to consolidated results for the year ended December 31, 2013:

Revenues
This year's consolidated gross revenues of P4.2 billion was 20.3% higher than last year's revenue of P3.5 billion. Anscor posted higher investment gain due to higher number of traded shares sold in the stock market during the period. Also, the group posted revenue from services and dividend income amounting to P2.0 billion and P260.9 million, respectively, higher than the revenue reported in 2013.

Cost of Services Rendered
Increase in cost of services rendered was mainly attributable to higher cost of services of the resort and nurse staffing business.

Operating Expenses
Increase can be attributed to the higher operating expenses of the Parent Company, resort and nurse staffing business, mainly caused by higher revenues.

Interest Expense
The Group reported higher charges mainly due to the Parent Company's long-term loan. 2014 included four (4) quarters of interest expense of the Parent Company while 2013 only had two (2) quarters of charges.

Foreign Exchange Gain (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 partially offset by foreign exchange gain on its foreign currency denominated investment in financial assets.

Provision for Income Tax - net
The provision for income tax current is slightly due to the Parent Company minimum corporate income tax and higher income tax reported of the resort subsidiary. Also, there was a significant increase in deferred tax liability recognized by Cirrus Group.

Other Income (Charges)
Other income in 2014 includes recovery of allowances for impairment losses by the Parent Company and insurance claim for business interruption loss by the resort subsidiary.

Noncontrolling Interests (statements of income)
Decrease in minority interest was mainly due to share of minority shareholders on higher losses reported by the resort subsidiary and Cirrus Global, Inc. for the year 2014.

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.

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Account Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
  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. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They 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 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 other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

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

  These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*
  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 applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
  The amendments 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.

These amendments do not have any impact on the Group's 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 do not have a material impact on the consolidated financial statements. These include:

- Amendment to 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.

- Amendment to 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 for continuing involvement 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.

- Amendment to 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.

- Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
  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.

- Amendment to 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).

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2016

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective

application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*
  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

<u>Other Financial Information</u>

- There are no material events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

- There are no off-balance sheet transactions, arrangements, obligations including contingent obligations, and other relationships of the Company with unconsolidated entities or other persons created during the year.

- There were no commitments for major capital expenditures in 2016 and onwards.

- The management has no knowledge of known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenue or income from continuing operations.

- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.

- There is no other change in composition of the registrant no restructuring.

- There is no other material event subsequent to the reporting period that has not been reflected in the financial statements.

Item 7. Financial Statements

1. The financial statements were presented using the classified balance sheet format in accordance with the Philippine Financial Reporting Standards (PFRS).

2. The financial statements were prepared in accordance with the disclosures required by SRC Rule 68 as amended (2011) and PFRS.

3. The consolidated financial statements include disclosures with regards to new accounting standards that the Company and its subsidiaries adopted.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SyCip Gorres Velayo & Co. (SGV) has been the Company's independent auditors since its establishment in 1946. They will again be nominated for reappointment and presented for approval by the stockholders during the stockholders' meeting as external auditors for the ensuing fiscal year.

A representative of SGV is expected to be present at the Annual Meeting to respond to appropriate questions from the stockholders and to make a statement if so desired.

The Company has no disagreements with its independent auditors on Accounting and Financial Disclosure and changes in Accounting and Financial Disclosures are included in the attached Notes to Financial Statements, if applicable.

In compliance with SRC Rule 68 paragraph 3(b) (iv) (Rotation of External Auditors), the SGV audit partner, as of December 2016, is Ms. Julie Christine C. Ong-Mateo who is on her third year of audit engagement.

The Company paid to its external auditors the following fees in the past two years:

Year	Audit Fees
2016	**P1,155,000**
2015	1,155,000

The audit fees were evaluated and approved by the Audit Committee based on the scope of work of external auditors and the complexity of accounting and audit issues identified. There are no other fees paid to the external auditors for other assurance and related services.

No tax consultancy fees were paid by the Company to SGV for the years 2016 and 2015.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors

The Board of Directors of the Company has ultimate responsibility for the administrative affairs of the Company. The business address of all of the Directors is the registered office of the Company. The Board meets approximately once every quarter or about four times a year. A majority of the Board shall constitute a quorum for the holding of a Board meeting. The decision of a majority of the quorum present shall be sufficient to pass a Board resolution.

The Directors and their respective positions with the Company are listed below.

Name	Position	Term of Office	Period Served as Director
Andres Soriano III	Chairman and Chief Executive Officer; President and Chief Operating Officer	1 year	34 years
Eduardo J. Soriano	Vice Chairman – Treasurer	1 year	36 years
Ernest K. Cuyegkeng	Director	1 year	8 years
John L. Gokongwei, Jr.	Director	1 year	36 years
Oscar J. Hilado	Director	1 year	18 years
Jose C. Ibazeta	Director	1 year	29 years
Roberto R. Romulo	Director	1 year	18 years

Executive Committee and Management

The management structure of the Company consists of an Executive Committee that reports directly to the Board of Directors. The following are the members of the Audit Committee, Compensation Committee, Executive Committee and Nomination Committee:

Audit Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

Compensation Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Eduardo J. Soriano	Member

Executive Committee:

Mr. Andres Soriano III	Chairman
Mr. Eduardo J. Soriano	Vice Chairman
Mr. Ernest K. Cuyegkeng	Member
Mr. Oscar J. Hilado	Member
Mr. Jose C. Ibazeta	Member

Nomination Committee:

Mr. Eduardo J. Soriano	Chairman
Mr. Oscar J. Hilado	Member
Mr. Roberto R. Romulo	Member

Selected biographical information on the Company's directors and other principal officers is set out below.

Directors

ANDRES SORIANO III, age 65, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of Cirrus Medical Staffing, Inc. (2007 to present), International Container Terminal Services, Inc. (ICTSI) (July 1992 to present), and Manila Peninsula Hotel, Inc. (1986 to present). Mr. Soriano was formerly the President and Chief Operating Officer of San Miguel Corporation and was subsequently the Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 62, Filipino, Director of the Company since 21 May 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman of Anscor Holdings, Inc. (2012 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 70, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Phelps Dodge Philippines Energy Products Corporation (1999 to present), and Anscor Holdings, Inc. (2012 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present), KSA Realty Corporation (2001 to present), T-0 Insurance (2008 to present), and Sumifru, Singapore (2003 to present); Chairman and Director of ArthaLand Corporation (2007 to present); Trustee of The

Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of the Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968). Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

JOHN L. GOKONGWEI, JR., age 90, Filipino, Director of the Company since 21 May 1980; Director and Chairman Emeritus of JG Summit Holdings, Inc.; Chairman and CEO of JG Summit Holdings, Inc. (from 1990 to 2001); Director of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc., JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, Oriental Petroleum and Minerals Corporation, Manila Electric Company (March 31, 2014 to present); Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited; Graduate of De La Salle University, Masters Degree in Business Administration, (1977) Advance Management Program, Harvard University, (1972-1973).

OSCAR J. HILADO, age 79, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Chairman of Phinma Energy Corporation (April 2008 to present); Vice Chairman of Trans Asia Petroleum Corporation (April 2013 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Independent Director of First Philippine Holdings Corporation (November 1996 to present), Philex Mining Corporation (December 2009 to present); Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), Smart Communications, Inc., (May 2013 to present); Rockwell Land Corporation (May 2015 to present) and Roxas Holdings, Inc. (March 2016 to present). Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company.

JOSE C. IBAZETA, age 74, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), AG&P International Holdings, Ltd. (December 2014 to present), ICTSI Ltd, and ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968), MBA in Banking and Finance, New York University (1972).

ROBERTO R. ROMULO, age 78, Filipino, an independent Director of the Company since April 1998; Chairman of AIG Philippines Insurance, Inc. (June 2000 to present), PETNET, Inc. (February 2006 to present), MediLink Network, Inc. (September 1999 to present), Nationwide Development Corporation (NADECOR), Carlos P. Romulo Foundation for Peace and Development, Philippine Foundation for Global Concerns, Inc. (PFGC) (1996 to present), Zuellig Family Foundation (June 2008 to present), Romulo Asia Pacific Advisory, Inc. (December 1997 to present) and Asia-Europe Foundation of the Philippines; Advisory Board Member of Philippine Long Distance Telephone Co. (PLDT) (March 2001 to present) and Independent Director of Equicom Savings Bank (January 2008 to present), Robinson Retail Holdings, Inc. (2013 to present) and Maxicare Healthcare Corporation (2014 to present); 25-year career at IBM Corporation holding CEO positions in the Philippines, Thailand, Burma and Bangladesh; Graduate of Georgetown University, (A.B.) and Ateneo de Manila University (LLB); Former Ambassador to Belgium, Luxembourg and the European Commission and Secretary of Foreign Affairs.

The following are not nominees but incumbent officers of the Company:

WILLIAM H. OTTIGER, age 49, Swiss, Senior Vice President and Corporate Development Officer of the Company; President and CEO of Cirrus Medical Staffing; Director of AG&P International, Executive Committee Member of Enderun Colleges, Inc.; Director of Cirrus Global, Inc., AG&P Manila and Prople, Inc.; Formerly spent 9 years with San Miguel Brewing Group and 3 years with UBS Investment Bank; Graduate of Washington & Lee University, B.A. History, (1990). London Business School, Masters of Business Administration, (2001).

NARCISA M. VILLAFLOR, age 54, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc., The Andres Soriano Foundation, Inc., Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.), Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation and Cirrus Global, Inc.; Trustee of The Andres Soriano Foundation, Inc. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 54, Filipino, Vice President (joined the group in 1997); Director and General Manager of Anscor Holdings, Inc. (2012 to present); Director and President of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.); Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

LORNA PATAJO-KAPUNAN, age 64, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan Garcia & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), !Academy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel

Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc. (2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015). Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (Jill) Tokyo (1997); National Institute on Humanitarian Law, San Remo, Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010). Bar Examiner, Mercantile Law (1988). The Outstanding Women in The Nations Service (TOWNS) Awardee - Corporate Law (1995) Filipinas Women Network (FWN) Influential Women Award (2016).

JOSHUA L. CASTRO, age 42, Filipino, Assistant Vice President (April 2013 to present) and Assistant Corporate Secretary (2006 to present) of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. (2006 to present) and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation (2006 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2006 to present), Anscor Holdings, Inc. (2012 to present), and The Andres Soriano Foundation, Inc. (2006 to present). Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

Additional Information:

There is no person who is not an executive and is expected by the registrant to make a significant contribution to the business.

Except for Andres Soriano III and Eduardo J. Soriano who are brothers, the directors, executive officers or persons nominated or chosen by the registrant to become directors or executive officers have no family relationship up to the 4th civil degree either by consanguinity or affinity.

For the last five years and as of 28 February 2017, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

The Company does not own any other equity securities beneficially owned by its directors and other nominees.

Item 10. Executive Compensation

As approved in 2004, Directors are paid a per diem of P20,000.00 per meeting attended and are given directors bonus representing no more than 1% of previous year's net income. Similarly, annual bonus, of no more than 3% of the preceding year's net income as well as salary increase of Executive Officers are approved by the Compensation Committee and Board of Directors.

The total compensation paid to the top six (6) Officers of the Company and the rest of the Directors for the last two years and the ensuing year are as follows:

Name	Principal Position	Compensation		
		2015 Actual	2016 Actual	2017 (Estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano	Vice Chairman & Treasurer			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
William H. Ottiger	Senior Vice President & Corporate Development Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Joshua L. Castro	Assistant Vice President & Assistant Corporate Secretary			
Salaries		₱ 56,394,233	₱ 56,414,233	₱ 56,879,469
Benefits		1,446,769	2,127,602	2,127,602
Bonus		63,300,000	39,300,000	46,125,000
Sub-Total Top Executive		**121,141,002**	**97,841,835**	**105,132,071**
Other Directors		**18,495,714**	**14,122,857**	**15,522,857**
Total		**₱ 139,636,716**	**₱ 111,964,692**	**₱120,654,928**

There are no other arrangements, including consulting contracts, to which any director was compensated, directly or indirectly except for the consultancy agreement between the Company and Mr. Jose C. Ibazeta, involving about P5.2 million fees for one year.

All the executive officers are not subject of any employment contract. Neither are there any compensatory plans or arrangements with respect to the named executive officers that will result from their resignation, retirement or any other termination or from change in control in the Company or change in the named executive officers' responsibilities following a change in control.

There are no warrants or options granted to the Directors, Chief Executive Officer, and other named Executive Officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Except as indicated below, no person holds 5% or more of the common stock of the Company under a voting trust or similar agreement.

As of February 28, 2017, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

a. Security Ownership of Certain Record (R) and Beneficial Owners (B)

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,278,192,746 *	51.128%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	506,401,252	20.256%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	169,646,329	6.786%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Filipino) (Depository Account)	Filipino	132,864,985	5.315%
TOTAL				**2,087,105,312**	**83.485%**

* Includes 375,940,443 shares lodged with PCD Nominee Corp. (Filipino)

Anscor Consolidated Corporation is wholly owned by A. Soriano Corporation, the registrant Company, represented by Mr. Ernest K. Cuyegkeng as Treasurer.

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which Maybank ATR KimEng Securities, Inc., is the sole owner of more than 5%, specifically 33.176%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. Shares owned by Deerhaven, LLC are indirectly owned by Andres Soriano III. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines on 25 April 2003. Shares owned by A-Z Asia Limited Philippines, Inc. are indirectly owned by Eduardo J. Soriano.

Other than the above, there are no Stockholders owning more than 5% of the Company's outstanding shares of stock.

The Company is not aware of any material pending legal proceedings to which the Company or any of its subsidiaries is a party.

b. Security Ownership of Certain Beneficial Owners and Management

As of February 28, 2017, the following are the security ownership of the Directors and Officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature Of Beneficial Ownership		Citizenship	Percentage
Common	Andres Soriano III	489,428,270	Direct/Indirect	American	19.577%
Common	Eduardo J. Soriano	188,515,944	Direct/Indirect	Filipino	7.541%
Common	John L. Gokongwei, Jr.	205,737	Direct/Indirect	Filipino	0.008%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	Oscar J. Hilado	20,000	Direct/Indirect	Filipino	0.001%
Common	Roberto R. Romulo	20,000	Direct	Filipino	0.001%
Total		678,242,902			27.130%

William H. Ottiger, Narcisa M. Villaflor, Lorenzo D. Lasco, Atty. Lorna Patajo-Kapunan and Atty. Joshua L. Castro do not own shares of the Company.

c. Voting Trust Agreement

The Company does not have any voting trust agreement with any stockholders.

d. Changes in Control

No change in control of the Company occurred since the beginning of the last fiscal year. Management is not aware of any arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

There are no Management transaction during the year or proposed transaction to which the Company was or is to be a party, in which any of its Directors, nominees for election as Directors, Executive Officers, security holders owning more than 5% of the outstanding shares of the Company, or any member of the immediate family of any of the forgoing persons, have or is to have material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to attached Annual Corporate Governance Report (ACGR).

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Exhibit	(1)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	NA
Exhibit	(2)	Instruments Defining the Rights of Security Holders, Including Indentures	BY-LAWS
Exhibit	(3)	Voting Trust Agreement	NA
Exhibit	(4)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	INFORMATION STATEMENT ANNUAL REPORT & FORM 17-Q
Exhibit	(5)	Letter re: Change in Certified Public Accountant	NA
Exhibit	(6)	Letter re: Change in Accounting Principles	NA
Exhibit	(7)	Report Furnished to Security Holders	ANNUAL REPORT & FORM 17-Q
Exhibit	(8)	Subsidiaries of the Registrant	LIST OF SUBSIDIARIES FINANCIAL STATEMENTS OF SIGNIFICANT FOREIGN SUBSIDIARIES
Exhibit	(9)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
Exhibit	(10)	Consents of Experts and Independent Counsel	NA
Exhibit	(11)	Power of Attorney	NA
Exhibit	(12)	Additional Exhibits	Annual Corporate Governance Report (ACGR)

(b) SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on February 22, 2017.

Andres Soriano III Chairman, President and Chief Executive Officer	Date	**Ernest K. Cuyegkeng** Executive Vice President - Chief Financial Officer	Date
Narcisa M. Villaflor Vice President- Comptroller	Date	**Salome M. Buhion** Accounting Manager	Date
Atty. Lorna Kapunan Corporate Secretary	Date		

SUBSCRIBED AND SWORN to before me this 22nd day of February 2017, affiants exhibited to me the following:

NAMES	PASSPORT NO. GOV'T ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE
Andres Soriano III	506368805	01-14-2015	U.S.A
Ernest K. Cuyegkeng	EC3327271	01-31-2015	Manila
Narcisa M. Villaflor	EC0629149	03-21-2014	Manila
Salome M. Buhion	EC2120654	09-17-2014	DFA NCR Northeast
Atty. Lorna Kapunan	EC8493081	08-08-2016	Manila

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Book No. : XVI
Series of 2017

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-155; Roll No. 20642
Commission expires on 12-31-18
PTR No. 5930045; 1-12-17; Makati City
IBP No. 1032456, 11-24-16, Pasig City
TIN: 100-364-501

A. SORIANO CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

A. SORIANO CORPORATION
INDEX TO EXHIBITS

Instruments Defining the Rights of Security Holders, Including Indentures	BY-LAWS
Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders Report Furnished to Security Holders	INFORMATION STATEMENT ANNUAL REPORT & FORM 17-Q
Subsidiaries of the Registrant	LIST OF SUBSIDIARIES FINANCIAL STATEMENTS OF SIGNIFICANT FOREIGN SUBSIDIARIES
Additional Exhibits	Annual Corporate Governance Report (ACGR)

A. SORIANO CORPORATION
INDEX TO SEC FORM 17-C

March 2, 2016	SEC 17-C Item No. 9 – Other Event Date of Stockholders' Meeting Proxy Date Proxy Validation Date
April 20, 2016	SEC 17-C Item No. 4 – Resignations, Removal or Election of Election of Directors and appointment of executive officers.
July 5, 2016	SEC 17-C Item No. 9 – Other Event Acquisition of additional 34,498 shares in KSA Realty Corporation
December 16, 2016	SEC 17-C Item No. 9 – Other Event Sale of Cebu Business Park lot

A. SORIANO CORPORATION
STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ANDRES SORIANO III	**ERNEST K. CUYEGKENG**
Chairman, President and	Executive Vice President and
Chief Executive Officer	Chief Financial Officer

Signed this 22th day of February 2017

REPUBLIC OF THE PHILIPPIENS)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 22th day of February 2017, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	EB4390925	Jan. 31, 2015 to Jan. 30, 2020/Manila

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-155; Roll No. 20642
Commission expires on 12-31-18
PTR No.5330045; 1-12-17; Makati City
IBP No. 1032456; 11-24-16; Pasig City
TIN: 100-364-501

Doc. No. 71;
Page No. 16;
Book No. XVI;
Series of 2017.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The goodwill disclosed in Note 6 to the consolidated financial statements amounted to ₱1,889.5 million as at December 31, 2016, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimations to assumptions and judgment involved. In assessing the recoverability of the Group's goodwill from the acquisitions of Cirrus Medical Staffing, Inc., Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc., management exercised significant judgments and used assumptions such as revenue growth rates, operating margins, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

Audit response

We obtained an understanding of management's process in estimating the recoverable amount of goodwill based on the CGUs' value-in-use and evaluated the design of the relevant controls. We involved our internal specialist in evaluating the valuation methodology and assumptions used by management in estimating value-in-use. These assumptions include revenue growth rates, operating margins, discount rates and long-term growth rates. We compared the growth rates and operating margins used against the historical performance of the CGUs. In testing for the discount rates, our internal specialist performed independent testing on the derivation of discount rates using market-based parameters. In addition, we reviewed the disclosures in the consolidated financial statements related to the key assumptions used and the sensitivity of the estimates to these key assumptions particularly those to which the impairment test is most sensitive.

Recoverability of Investments in Associates

In 2016, the Group identified indicators of possible impairment in its investments in associates and, as required in PFRS, assessed the recoverability of its investments. In assessing the recoverable amounts, management estimated the expected cash flows from the operations of the associates. Management also applied judgment in selecting the valuation model to be used and assumptions such as revenue growth rates, discount rates and long-term growth rates. The investments in associates, as disclosed in Note 12 to the consolidated financial statements, amounted to ₱1,941.3 million as at December 31, 2016, which is material to the consolidated financial statements.

Audit response

We obtained an understanding of the management's process in identifying impairment indicators and in estimating the recoverable amount of its investments in associates. We also evaluated the design of the relevant controls. We met with management to understand the current business operations of its associates and whether these are considered in the Group's assumptions. Furthermore, we involved our internal specialist in evaluating the model used in estimating the equity value of the investments used by the Group and the assumptions in estimating the associates' cash flows. These assumptions include revenue growth rates, discount rates and long-term growth rates. We compared the revenue growth rates to the historical performance of the associates. In testing for the discount rates, our internal specialist performed independent testing on the derivation of discount rates using market-based parameters. We also reviewed and tested the sensitivity of the present value of discounted cash flows to changes in key assumptions particularly those to which the recoverable amount is most sensitive.

Valuation of Unquoted Available-for-Sale (AFS) Equity Instruments

The valuation of unquoted AFS equity investments is a key audit matter because the carrying value amounting to ₱1,403.0 million as at December 31, 2016 is material to the consolidated financial statements. In valuing the Group's unquoted AFS equity instruments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group. The Group's disclosures about unquoted AFS instruments are included in Note 11 to the consolidated financial statements.

Audit response

We obtained an understanding of management's process in the valuation of unquoted equity instruments and evaluated the design of the relevant controls. We involved our internal specialist in evaluating the valuation technique, assumptions used in estimating expected dividends and share in realization of investment property applied by the Group. The assumptions used include revenue growth rates, operating margins, discount rates and long-term growth rates. We compared the revenue growth rates and operating margins to the historical performance of the investments. We also involved our internal specialist in evaluating management's forecasted and discounted cash flows through quantitative and qualitative review of the assumptions. In testing for the discount rates, our internal specialist performed independent testing on the derivation of discount rates using market-based parameters. For investments where cost is deemed as an appropriate estimate of fair value, we reviewed available information related to the investments and assessed contrary indicators affecting the estimated fair value.

Provisions and Contingencies

The Group is subject to examinations by tax authorities which may result to taxation issues due to different interpretation of tax laws, rulings and jurisprudence. Evaluating the completeness and proper valuation of provisions for tax exposures was significant to our audit because it requires application of significant estimates and judgment by management. There is also uncertainty over the outcome of these tax examinations. Any change on these assumptions and estimates could have a material impact on the Group's consolidated financial statements. The disclosures on the Group's contingencies are included in Note 30 to the consolidated financial statements.

Audit response

Our audit procedures included, among others, the involvement of our internal specialist in reviewing management's tax position and in evaluating the potential tax exposures by considering the correspondences with the relevant tax authorities and the opinion of the Group's third party tax consultants.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Julie Christine O. Mateo.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908742, January 3, 2017, Makati City

February 22, 2017

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱2,403,739,518**	₱1,774,319,172
Fair value through profit or loss (FVPL) investments (Note 8)	**769,680,131**	508,976,634
Receivables - net (Notes 9 and 16)	**2,167,501,893**	1,994,603,406
Inventories - net (Note 10)	**683,916,919**	700,984,189
Property development in progress (Note 29)	**3,177,197**	175,812,028
Available-for-sale (AFS) investments - current (Notes 11 and 18)	**47,728,517**	56,786,078
Prepayments	**18,676,972**	23,918,081
Other current assets (Note 29)	**151,400,689**	81,897,555
Total Current Assets	**6,245,821,836**	5,317,297,143
Noncurrent Assets		
AFS investments - net of current portion (Notes 11 and 18)	**8,313,497,196**	7,358,993,331
Investments and advances (Note 12)	**1,943,573,979**	1,824,260,087
Goodwill (Note 6)	**1,889,496,064**	1,852,422,215
Property and equipment (Notes 13 and 18)	**2,648,731,039**	2,701,877,014
Investment properties (Notes 14 and 29)	**234,877,835**	260,569,744
Retirement plan asset - net (Note 23)	**60,191,266**	59,482,997
Deferred income tax assets - net (Note 24)	**62,304,841**	59,195,709
Other noncurrent assets (Notes 15 and 29)	**129,006,778**	118,282,486
Total Noncurrent Assets	**15,281,678,998**	14,235,083,583
TOTAL ASSETS	**₱21,527,500,834**	₱19,552,380,726

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 16)	**₱91,948,200**	₱26,197,832
Accounts payable and accrued expenses (Notes 17 and 30)	**969,798,809**	916,122,968
Dividends payable (Note 19)	**242,208,406**	229,648,921
Customers' deposits for property development (Note 29)	**–**	597,268,360
Income tax payable	**141,744,752**	85,381,137
Current portion of long-term debt (Note 18)	**629,350,200**	638,070,546
Total Current Liabilities	**2,075,050,367**	2,492,689,764

(Forward)

	December 31	
	2016	2015
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	**₱1,916,231,143**	₱2,459,835,814
Deferred revenues (Note 29)	**8,601,560**	10,117,900
Deferred income tax liabilities - net (Note 24)	**600,160,058**	502,874,235
Retirement benefits payable - net (Note 23)	**4,211,769**	6,666,773
Other noncurrent liabilities (Notes 15 and 29)	**175,746,074**	145,275,611
Total Noncurrent Liabilities	**2,704,950,604**	3,124,770,333
Total Liabilities	**4,780,000,971**	5,617,460,097
Equity Attributable to Equity Holders of the Parent (Note 19)		
Capital stock - ₱1 par value	**2,500,000,000**	2,500,000,000
Additional paid-in capital	**1,605,613,566**	1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)	**(26,356,543)**	(26,356,543)
Cumulative translation adjustment	**380,244,251**	187,917,388
Unrealized valuation gains on AFS investments (Note 11)	**1,899,776,724**	686,254,240
Remeasurement on retirement benefits (Note 23)	**37,608,665**	34,992,585
Retained earnings:		
Appropriated (Note 19)	**7,150,000,000**	6,300,000,000
Unappropriated (Note 19)	**4,914,057,124**	4,487,779,074
Cost of shares held by a subsidiary (1,267,406,746 shares and 1,266,300,646 shares in 2016 and 2015, respectively) (Note 19)	**(2,226,272,975)**	(2,219,505,295)
	16,234,670,812	13,556,695,015
Noncontrolling interests (Note 3)	**512,829,051**	378,225,614
Total Equity	**16,747,499,863**	13,934,920,629
TOTAL LIABILITIES AND EQUITY	**₱21,527,500,834**	₱19,552,380,726

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014*
REVENUES			
Sale of goods - net	**₱6,608,154,597**	₱6,102,268,950	₱–
Services (Note 29)	**3,483,481,253**	2,747,521,027	1,983,852,999
Sale of real estate (Note 29)	**633,912,337**	293,036,415	–
Dividend income (Note 11)	**218,797,811**	209,651,661	260,862,079
Interest income (Notes 7, 8, 11 and 22)	**95,311,627**	83,315,419	96,438,999
Management fee (Notes 9, 26 and 29)	**–**	–	78,344,162
Equity in net earnings (losses) - net (Note 12)	**(72,773,871)**	153,953,858	(293,266,726)
	10,966,883,754	9,589,747,330	2,126,231,513
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments (Note 11)	**555,619,230**	1,091,213,611	1,661,985,514
Long-term investments (Notes 12 and 14)	**343,158,019**	–	56,059,176
Gain (loss) on increase (decrease) in market values of FVPL investments (Note 8)	**20,589,122**	(25,654,441)	(9,487,014)
	919,366,371	1,065,559,170	1,708,557,676
TOTAL	**11,886,250,125**	10,655,306,500	3,834,789,189
Cost of goods sold (Note 20)	**(5,188,332,297)**	(4,931,773,630)	–
Cost of services rendered (Note 20)	**(2,312,578,606)**	(1,809,102,441)	(1,361,515,068)
Cost of real estate sold (Note 29)	**(285,522,793)**	(174,139,992)	–
Operating expenses (Note 20)	**(1,347,769,652)**	(1,168,575,073)	(865,860,283)
Interest expense (Notes 16, 18 and 22)	**(109,007,134)**	(116,599,234)	(61,361,043)
Foreign exchange gain (loss) - net	**5,431,706**	(28,856,549)	(9,962,427)
Other income (charges) - net (Notes 22 and 29)	**(534,484,598)**	(753,600,117)	528,011,135
INCOME BEFORE INCOME TAX	**2,113,986,751**	1,672,659,464	2,064,101,503
PROVISION FOR INCOME TAX (Note 24)	**423,696,067**	309,397,655	29,359,944
NET INCOME	**₱1,690,290,684**	₱1,363,261,809	₱2,034,741,559
Net Income Attributable to:			
Equity holders of the Parent	**₱1,522,796,705**	₱1,282,782,660	₱2,041,141,959
Noncontrolling interests	**167,493,979**	80,479,149	(6,400,400)
	₱1,690,290,684	₱1,363,261,809	₱2,034,741,559
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent (Note 25)	**₱1.24**	₱1.03	₱1.63

See accompanying Notes to Consolidated Financial Statements.

**PDP Group's revenues, costs and expenses were not included in 2014 since PDP Group was still an associate. In 2016 and 2015, management fees for PDP Group was eliminated as PDP Group is now a subsidiary and its revenues, costs and expenses were included in the Consolidated Statements of Income.*

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014*
NET INCOME	**₱1,690,290,684**	₱1,363,261,809	₱2,034,741,559
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains (losses) on AFS investments (Note 11)	**1,186,148,549**	(2,246,929,467)	1,349,350,540
Income tax effect	**(10,935,308)**	(24,996,268)	(15,918,015)
	1,175,213,241	(2,271,925,735)	1,333,432,525
Unrealized (gain) loss of AFS investments, recognized in the consolidated statements of income (Note 11)	**35,279,977**	(285,974,884)	(1,794,468,827)
Income tax effect	**3,029,266**	5,335,427	23,913,736
	38,309,243	(280,639,457)	(1,770,555,091)
	1,213,522,484	(2,552,565,192)	(437,122,566)
Cumulative translation adjustment	**192,326,863**	177,214,950	31,120,016
	1,405,849,347	(2,375,350,242)	(406,002,550)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 23)	**3,451,388**	(8,358,212)	6,403,863
Income tax effect	**(835,308)**	2,507,464	(1,921,158)
	2,616,080	(5,850,748)	4,482,705
OTHER COMPREHENSIVE INCOME (LOSS)	**1,408,465,427**	(2,381,200,990)	(401,519,845)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱3,098,756,111**	(₱1,017,939,181)	₱1,633,221,714
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent	**₱2,931,262,132**	(₱1,098,418,330)	₱1,640,262,701
Noncontrolling interests	**167,493,979**	80,479,149	(7,040,987)
	₱3,098,756,111	(₱1,017,939,181)	₱1,633,221,714

See accompanying Notes to Consolidated Financial Statements.

**PDP Group's other comprehensive income (loss) was not included in 2014 since PDP Group was still an associate.*

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Equity Attributable to Equity Holders of the Parent (Note 19)											
							Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on AFS Investments (Note 11)	Remeasurement on Retirement Benefits (Note 23)	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2013	₱2,500,000,000	₱1,605,613,566	(₱26,356,543)	(₱20,417,578)	₱3,675,941,998	₱35,720,041	₱3,000,000,000	₱4,898,587,228	(₱2,031,222,641)	₱13,637,866,071	₱370,038,530	₱14,007,904,601
Total comprehensive income (loss) for the year	–	–	–	31,120,016	(437,122,566)	5,123,292	–	2,041,141,959	–	1,640,262,701	(7,040,987)	1,633,221,714
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	–	–	–	–	–	(310,524,838)	–	(310,524,838)	–	(310,524,838)
Shares repurchased during the year (Note 19)	–	–	–	–	–	–	–	–	(132,426,129)	(132,426,129)	–	(132,426,129)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–	–	–	–	–	11,263,881	11,263,881
Appropriation during the year (Note 19)	–	–	–	–	–	–	1,600,000,000	(1,600,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**10,702,438**	**3,238,819,432**	**40,843,333**	**4,600,000,000**	**5,029,204,349**	**(2,163,648,770)**	**14,835,177,805**	**374,261,424**	**15,209,439,229**
Total comprehensive income (loss) for the year	–	–	–	177,214,950	(2,552,565,192)	(5,850,748)	–	1,282,782,660	–	(1,098,418,330)	80,479,149	(1,017,939,181)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱125.8 million (Note 19)	–	–	–	–	–	–	–	(124,207,935)	–	(124,207,935)	–	(124,207,935)
Shares repurchased during the year (Note 19)	–	–	–	–	–	–	–	–	(55,856,525)	(55,856,525)	–	(55,856,525)
Movement in noncontrolling interests (Notes 3 and 29)	–	–	–	–	–	–	–	–	–	–	(76,514,959)	(76,514,959)
Appropriation during the year (Note 19)	–	–	–	–	–	–	1,700,000,000	(1,700,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2015	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**187,917,388**	**686,254,240**	**34,992,585**	**6,300,000,000**	**4,487,779,074**	**(2,219,505,295)**	**13,556,695,015**	**378,225,614**	**13,934,920,629**
Total comprehensive income for the year	–	–	–	192,326,863	1,213,522,484	2,616,080	–	1,522,796,705	–	2,931,262,132	167,493,979	3,098,756,111
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 19)	–	–	–	–	–	–	–	(246,518,655)	–	(246,518,655)	–	(246,518,655)
Shares repurchased during the year (Note 19)	–	–	–	–	–	–	–	–	(6,767,680)	(6,767,680)	–	(6,767,680)
Movement in noncontrolling interests (Notes 3 and 29)	–	–	–	–	–	–	–	–	–	–	(32,890,542)	(32,890,542)
Appropriation during the year (Note 19)	–	–	–	–	–	–	850,000,000	(850,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2016	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱380,244,251**	**₱1,899,776,724**	**₱37,608,665**	**₱7,150,000,000**	**₱4,914,057,124**	**(₱2,226,272,975)**	**₱16,234,670,812**	**₱512,829,051**	**₱16,747,499,863**

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,113,986,751**	₱1,672,659,464	₱2,064,101,503
Adjustments for:			
Loss (gain) on sale of:			
AFS investments (Note 11)	**(555,619,230)**	(1,091,213,611)	(1,661,985,514)
Long-term investment (Notes 12 and 14)	**(343,158,019)**	–	(56,059,176)
Property and equipment (Note 13)	**–**	–	28,151
Valuation allowances - net (Note 22)	**602,056,936**	841,123,370	243,372,491
Dividend income (Note 11)	**(218,797,811)**	(209,651,661)	(260,862,079)
Depreciation and amortization (Note 13)	**234,068,755**	236,767,900	132,907,136
Equity in net losses (earnings) of associates - net (Note 12)	**72,773,871**	(153,953,858)	293,266,726
Interest expense (Note 22)	**109,007,134**	116,599,234	61,361,043
Interest income (Note 22)	**(95,311,627)**	(83,315,419)	(96,438,999)
Unrealized foreign exchange losses - net	**42,147,356**	62,227,101	32,420,744
Loss (gain) on decrease (increase) in market values of FVPL investments (Note 8)	**(20,589,122)**	25,654,441	9,487,014
Retirement benefit costs (Note 23)	**15,698,052**	16,230,854	11,722,183
Gain on remeasurement of previously held interest (Note 22)	**–**	–	(699,011,094)
Operating income before working capital changes	**1,956,263,046**	1,433,127,815	74,310,129
Decrease (increase) in:			
FVPL investments	**(181,338,815)**	40,316,999	(124,275,601)
Receivables	**(223,054,364)**	(44,016,071)	(17,241,769)
Inventories	**15,482,484**	199,230,246	(39,327,133)
Property development in progress	**172,634,831**	(19,169,531)	–
Prepayments and other current assets	**(12,998,254)**	(55,563,541)	(39,349,178)
Increase (decrease) in:			
Accounts payable and accrued expenses	**53,675,841**	(66,274,258)	282,359,937
Customers' deposit for property development	**(597,268,360)**	215,424,010	224,986,350
Deferred revenues	**(1,516,340)**	(19,597,403)	1,266,987
Net cash generated from operations	**1,181,880,069**	1,683,478,266	362,729,722
Dividends received	**215,498,739**	209,651,661	356,062,079
Interest received	**89,959,658**	83,315,419	98,046,778
Interest paid	**(94,220,605)**	(148,698,157)	(61,361,043)
Retirement benefit contribution (Note 23)	**(17,949,668)**	(20,926,478)	(13,923,949)
Income taxes paid	**(400,069,455)**	(253,933,598)	(12,094,161)
Net cash flows from operating activities	**975,098,738**	1,552,887,113	729,459,426

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 11)	**₱1,473,209,534**	₱3,294,238,365	₱5,650,606,104
Long-term investment	**397,120,000**	–	56,059,176
Property and equipment (Note 13)	**1,780,000**	–	–
Additions to:			
AFS investments (Note 11)	**(1,019,866,822)**	(3,426,157,700)	(4,435,277,618)
Property and equipment (Note 13)	**(179,885,426)**	(237,320,248)	(196,878,710)
Acquisition of subsidiary, net of cash acquired (Note 6)	**–**	–	(2,369,366,713)
Advances from (to) affiliates (Note 12)	**(386,108)**	(2,655,735)	5,914,823
Movement in other noncurrent assets	**(26,053,160)**	(10,108,172)	–
Acquisition of an associate (Note 12)	**–**	(2,100,000)	–
Net cash flows from (used in) investing activities	**645,918,018**	(384,103,490)	(1,288,942,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Note 16)	**554,000,000**	557,000,000	1,529,461,840
Payments of:			
Notes payable (Note 16)	**(554,000,000)**	(2,072,225,829)	(78,139,466)
Long-term debt (Note 18)	**(635,755,735)**	(219,884,036)	(30,419,980)
Dividends (Note 19)	**(487,734,748)**	(414,223,047)	(54,875,431)
Company shares purchased by a subsidiary (Note 19)	**(6,767,680)**	(55,856,525)	(132,426,129)
Increase (decrease) in noncontrolling interests	**134,603,437**	(76,514,959)	504,714
Proceeds from long-term debt (Note 18)	**–**	1,500,000,000	–
Net cash flows from (used in) financing activities	**(995,654,726)**	(781,704,396)	1,234,105,548
NET INCREASE IN CASH AND CASH EQUIVALENTS	**625,362,030**	387,079,227	674,622,036
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**4,058,316**	(13,793,714)	(17,480,886)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,774,319,172**	1,401,033,659	743,892,509
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱2,403,739,518**	₱1,774,319,172	₱1,401,033,659

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses. On July 17, 1979, the Philippine SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded. The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the Board of Directors (BOD) on February 22, 2017.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

<u>Basis of Preparation</u>
The consolidated financial statements have been prepared on a historical cost basis, except for securities at FVPL and AFS investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

<u>Changes in Accounting Policies</u>
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
  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. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the

Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They 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 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 other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

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

  These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
  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 not relevant to the Group.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
  The amendments 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.

  These amendments do not have any impact on the Group’s consolidated financial statements.

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

- Amendment to 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.

- Amendment to 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 for continuing involvement 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.

- Amendment to 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.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  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.

- Amendment to 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).

New Accounting Standards, Interpretations and Amendments
to Existing Standards Effective Subsequent to December 31, 2016

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (*Part of Annual Improvements to PFRSs 2014 - 2016 Cycle*)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not applicable to the Group since it has no share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*
  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28*, Measuring an Associate or Joint Venture at Fair Value* (*Part of Annual Improvements to PFRSs 2014 - 2016 Cycle*)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint

venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Basis of Consolidation and 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, majority and minority-owned subsidiaries as of December 31:

		Percentage of Ownership		
	Nature of Business	**2016**	2015	2014
A. Soriano Air Corporation (Note 29)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	**62**	62	62
Island Aviation, Inc. (IAI, Note 29)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	**100**	100	100
Anscor Holdings, Inc. (AHI, formerly Goldenhall Corp., Note 29)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Lakeroad Corp.	Real Estate Holding	**100**	100	100
Mainroad Corp.	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	**100**	100	100
Mountainridge Corp.	Real Estate Holding	**100**	100	100
Rollingview Corp.	Real Estate Holding	**100**	100	100
Timbercrest Corp.	Real Estate Holding	**100**	100	100
Anscor International, Inc. (AI, Note 12)	Investment Holding	**100**	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	**100**	100	100
Cirrus Medical Staffing, Inc. (Cirrus, Notes 6 and 29)	Manpower Services	**94**	94	94
Cirrus Holdings USA, LLC (Cirrus LLC, Notes 6 and 29)	Manpower Services	**94**	94	94
Cirrus Allied, LLC (Cirrus Allied, Notes 6 and 29)	Manpower Services	**94**	94	94
NurseTogether, LLC (NT, Note 6)	Online Community Management	**94**	94	94
Uptown Kamputhaw Holdings, Inc. (formerly Anscor Property Holdings, Inc., APHI, Note 14)	Real Estate Holding	**–**	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 6, 12 and 29)	Investment Holding	**100**	100	100
Minuet Realty Corporation (Minuet)	Landholding	**100**	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 6, 12 and 29)	Wire Manufacturing	**100**	100	100
PD Energy International Corporation (PDEIC, Note 12)	Wire Manufacturing	**100**	100	100

(Forward)

	Nature of Business	Percentage of Ownership 2016	2015	2014
Sutton Place Holdings, Inc. (Sutton)	Investment Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Note 29)	Manpower Services	**93**	93	93
IQ Healthcare Professional Connection, LLC (IQHPC, Note 29)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (AAC)	Real Estate Holding	**81**	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Note 29)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Note 29)	Resort Operations	**62**	62	62
Summerside Corp. (Summerside)	Investment Holding	**40**	100	100

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).

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that have noncontrolling interest (NCI) that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are presented below as of and for the years ended December 31 (in millions):

	2016	2015
Balance Sheets:		
Current assets	**₱730.1**	₱690.9
Noncurrent assets	**901.0**	1,108.2
Current liabilities	**356.3**	919.3
Noncurrent liabilities	**161.3**	148.2
Equity	**1,113.5**	731.5
Equity attributable to NCI	**419.8**	270.6

	2016	2015
Statements of Comprehensive Income:		
Revenue	**₱1,325.0**	₱825.3
Income from continuing operations, before tax	**415.8**	196.0
Net income	**379.5**	166.9
Other comprehensive income (loss)	**1.4**	(0.1)
Total comprehensive income	**380.9**	166.8
Total comprehensive income allocated to NCI during the year	**144.0**	62.9

	2016	2015
Statements of Cash Flows:		
Cash flows from operations	**₱90.3**	₱430.4
Cash flows used in investing activities	**(83.2)**	(64.9)
Cash flows from (used in) financing activities	**10.9**	(280.7)

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 reassesses 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 recognized 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 balance sheet 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 12 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 income 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 loss is recognized under “Equity in net earnings (losses) - net” in the consolidated statement of income. Valuation allowances were previously presented under “Other income (charges) - net” in the 2015 and 2014 consolidated statements of income.

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.

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:

		Percentage of Ownership		
	Nature of Business	**2016**	2015	2014
Associates				
Prople Limited (Note 12)	Business Process Outsourcing	**32**	–	–
Vicinetum Holdings, Inc. (VHI)	Investment Holding	**32**	32	32
AGP International Holdings Ltd. (AGPI, Note 12)	Investment Holding	**27**	27	27
BehaviorMatrix, LLC (BM, Note 12)	Behavior Analytics Services	**21**	13	13

In 2016, AI converted its notes receivable from Prople Limited and BM to equity. The conversion and additional investment increased the Company's shareholdings, making Prople Limited and BM associates of the Group (see Note 12).

The principal business location of VHI is the Philippines. AGPI, BM and Prople Limited are based in the BVI, United States of America and Hong Kong, respectively.

<u>Business Combinations and Goodwill</u>
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 financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of 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 remeasured 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 reassesses 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 reassessment 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 noncontrolling 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 of 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 estimated 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 to 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 reassessing 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 remeasured or reassessed 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 in the previous page.

<u>Financial Instruments</u>

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. 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 December 31, 2016 and 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 December 31, 2016 and 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 December 31, 2016 and 2015 the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives amounting to ₱769.7 million and ₱509.0 million, respectively. No financial liability at FVPL is outstanding as of December 31, 2016 and 2015 (see Note 8).

(b) Loans and receivables

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated 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, notes receivable, interest receivable, receivables from villa owners, advances to employees and other receivables.

(c) AFS investments

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

After initial measurement, AFS investments are subsequently measured at fair value. 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 12 months after the reporting period.

As of December 31, 2016 and 2015, the Group’s AFS investments include investment in equity securities and bonds and convertible notes.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated 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 December 31, 2016 and 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 December 31, 2016 and 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 "Valuation allowances" 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 "Valuation allowances" 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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 Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risk.

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

Sale of goods
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Sale of real estate
Sale 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
Handling fee, service fee, 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. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Group to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Group contracts with other staffing companies to provide the travelers to fill the jobs for the Group. 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.

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

For cable and wire manufacturing, 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	25
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	2 - 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 villa development costs and related expenses incurred.

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

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

at cost, less accumulated depreciation and any accumulated impairment losses. 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.

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.

Customers' 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 generally 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.

<u>Borrowing Costs</u>
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.

<u>Pension Benefits</u>
The Group has non-contributory defined benefit retirement plans.

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, carryforward benefits 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 carryforward benefits 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 reassessed 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. In case of capital goods, input VAT is 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 consolidated 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 December 31, 2016, 2015 and 2014.

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. Financial information on business segments is presented in Note 5.

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 (see Note 28).

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.

Determination of absence of significant influence over Enderun
The Company determined that it has no significant influence over Enderun. Management assessed that it does not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun is considered an AFS investment (see Note 11).

Assessment of control over the entities for consolidation
The Group has wholly owned, majority and minority-owned subsidiaries discussed in Note 3. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

<u>Estimates and Assumptions</u>
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. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts as of December 31, 2016 and 2015 amounted to ₱630.2 million and ₱637.3 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,169.8 million and ₱1,997.3 million as of December 31, 2016 and 2015, respectively (see Notes 9 and 12).

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 Group 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 (see Note 28).

Unquoted equity investments amounted to ₱1,403.0 million and ₱1,127.5 million as at December 31, 2016 and 2015, respectively (see Note 11).

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 below its cost or when other objective evidence of impairment exists. The determination of what is significant or prolonged decline requires judgment. 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 the future cash flows and the discount factors for unquoted equities.

In 2016, 2015 and 2014, total impairment loss recognized amounted to ₱590.9 million, ₱607.3 million and ₱161.5 million, respectively, on its equity instruments. AFS equity investments amounted to ₱7,513.4 million and ₱6,508.3 million as at December 31, 2016 and 2015, respectively (see Note 11).

Impairment of AFS debt investments
For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the market prices of these bonds indicate objective evidence of impairment. In 2016, 2015 and 2014, total impairment loss recognized amounted to nil, ₱197.9 million, and ₱98.4 million, respectively. The carrying value of AFS debt investments amounted to ₱847.8 million and ₱907.5 million as at December 31, 2016 and 2015, respectively (see Note 11).

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.

Allowance for inventory losses and obsolescence amounted to ₱88.8 million and ₱74.7 million as of December 31, 2016 and 2015, respectively. The carrying amount of the inventories amounted to ₱683.9 million and ₱701.0 million as of December 31, 2016 and 2015, respectively (see Note 10).

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.

As of December 31, 2016 and 2015, the carrying value of property and equipment amounted to ₱2,648.7 million and ₱2,701.9 million, respectively (see Note 13).

Investments carried under the equity method
Investments carried under the 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.

The carrying amounts of the investments amounted to ₱1,941.3 million and ₱1,821.6 million as of December 31, 2016 and 2015, respectively (see Note 12).

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.

As of December 31, 2016 and 2015, the carrying value of property and equipment and investment properties amounted to ₱2,883.6 million and ₱2,962.4 million, respectively (see Notes 13 and 14).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2016 (see Notes 13 and 14).

(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 ₱100.0 million since December 31, 2009 on its investment in Cirrus.

As of December 31, 2016 and 2015, the carrying value of goodwill amounted to ₱1,889.5 million and ₱1,852.4 million, respectively (see Note 6).

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. As of December 31, 2016 and 2015, the Group recognized deferred income tax assets amounting to ₱99.5 million and ₱153.3 million, respectively (see Note 24).

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. Net retirement plan asset as at December 31, 2016 and 2015 amounted to ₱60.2 million and ₱59.5 million, respectively. Net retirement benefits payable as of December 31, 2016 and 2015 amounted to ₱4.2 million and ₱6.7 million, respectively. Further details are provided in Note 23.

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. Further details about the assumptions used are provided in Note 23.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 30.

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 ₱1,452.5 million based on provisional purchase price allocation. In 2015, the valuation was completed and the final goodwill amounted to ₱1,202.9 million.

The total carrying value of goodwill amounted to ₱1,889.5 million and ₱1,852.4 million as of December 31, 2016 and 2015, respectively (see Note 6).

5. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. Majority of the companies within the Group were incorporated and operating within the Philippines, except for the Nurse/Physical Therapist (PT) Staffing business. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Holding company segment pertains to the operations of the Company.

Nurse/PT staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States.

Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment (see Note 3).

Cable and Wire Manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.

Amounts for the investments in associates comprise the Group's equity in net earnings of the associates.

Other operations include air transportation, hangarage, real estate holding and management, and recruitment services.

The following tables present the financial information of the business segments as of and for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2016								
Revenues, excluding interest income	**₱2,572,502**	**₱856,376**	**₱1,321,882**	**₱6,608,160**	**₱711,787**	**₱12,070,707**	**(₱1,199,135)**	**₱10,871,572**
Interest income	**1,756**	**83,174**	**2,921**	**2,147**	**226**	**90,224**	**5,088**	**95,312**
Investment gains	**–**	**815,206**	**–**	**–**	**(8,503)**	**806,703**	**112,663**	**919,366**
Interest expense	**494**	**57,309**	**403**	**45,737**	**3,308**	**107,251**	**1,756**	**109,007**
Income tax expense	**108,724**	**21,050**	**35,226**	**255,450**	**11,292**	**431,742**	**(8,046)**	**423,696**
Equity in net earnings (losses) - net	**–**	**–**	**–**	**–**	**(72,774)**	**(72,774)**	**–**	**(72,774)**
Net income	**184,916**	**1,005,126**	**379,544**	**750,604**	**403,743**	**2,723,933**	**(1,033,642)**	**1,690,291**
Total assets	**1,151,194**	**17,754,581**	**1,631,042**	**3,905,133**	**12,099,505**	**36,541,455**	**(15,013,954)**	**21,527,501**
Investments and advances	**692,974**	**7,872,221**	**83,260**	**–**	**3,320,537**	**11,968,992**	**(10,025,418)**	**1,943,574**
Property and equipment	**3,897**	**23,922**	**809,384**	**568,299**	**108,568**	**1,514,070**	**1,134,661**	**2,648,731**
Total liabilities	**636,602**	**1,911,194**	**517,614**	**1,525,781**	**3,969,244**	**8,560,435**	**(3,780,434)**	**4,780,001**
Depreciation and amortization	**4,356**	**8,095**	**97,312**	**96,178**	**30,225**	**236,166**	**(2,097)**	**234,069**
Impairment loss	**8,332**	**653,673**	**–**	**15,814**	**2,562,011**	**3,239,830**	**(2,637,773)**	**602,057**
Cash flows from (used in):								
Operating activities	**304,444**	**593,426**	**90,277**	**809,980**	**53,212**	**1,851,339**	**(876,240)**	**975,099**
Investing activities	**(1,441)**	**711,084**	**(83,242)**	**(62,793)**	**3,897**	**567,505**	**78,413**	**645,918**
Financing activities	**(312,284)**	**(918,317)**	**(10,869)**	**(421,429)**	**(56,688)**	**(1,719,587)**	**723,932**	**(995,655)**

**"Other Operations" include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net earnings of associates.*

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2015								
Revenues, excluding interest income	₱1,850,730	₱2,742,661	₱994,023	₱6,102,341	₱382,875	₱12,072,630	(₱2,566,198)	₱9,506,432
Interest income	–	75,395	758	1,083	6,079	83,315	–	83,315
Investment gains	–	1,066,719	–	–	(1,160)	1,065,559	–	1,065,559
Interest expense	340	74,240	1,155	39,134	1,730	116,599	–	116,599
Income tax expense (benefit)	66,883	(15,815)	29,167	221,657	15,500	317,392	(7,994)	309,398
Equity in net earnings (losses) - net	–	–	–	–	153,954	153,954	–	153,954
Net income	108,864	2,759,487	166,854	574,356	364,558	3,974,119	(2,610,857)	1,363,262
Total assets	1,041,115	16,382,877	1,799,068	3,488,824	3,745,714	26,457,598	(6,905,218)	19,552,380
Investments and advances	–	8,132,207	74,091	–	2,253,691	10,459,989	(8,635,729)	1,824,260
Property and equipment	4,743	29,727	837,454	573,253	95,388	1,540,565	1,161,312	2,701,877
Total liabilities	129,598	2,252,921	1,067,586	1,616,524	4,695,279	9,761,908	(4,144,448)	5,617,460
Depreciation and amortization	4,914	7,369	97,984	70,967	29,435	210,669	26,099	236,768
Impairment loss	–	802,759	4,266	14,940	271,826	1,093,791	(252,668)	841,123
Cash flows from (used in):								
Operating activities	927,193	1,435,669	430,416	773,270	48,197	3,614,745	(2,061,858)	1,552,887
Investing activities	(38,281)	786,261	(64,949)	(101,420)	(5,368)	576,243	(960,346)	(384,103)
Financing activities	(909,597)	(2,125,914)	(280,715)	(492,814)	(21,151)	(3,830,191)	3,048,487	(781,704)

**"Other Operations" include ASAC, AAC, Anscorcon, AI, APHI, CGI, IAI and the Group's equity in net earnings of associates.*

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations	*Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2014								
Revenues, excluding interest income	₱1,250,017	₱760,785	₱494,071	₱–	₱545,505	₱3,050,378	(₱1,020,585)	₱2,029,793
Interest income	9,349	80,214	3,353	–	3,523	96,439	–	96,439
Investment gains	–	1,708,776	–	–	(218)	1,708,558	–	1,708,558
Interest expense	1,981	53,840	1,912	–	3,628	61,361	–	61,361
Income tax expense (benefit)	19,511	(3,777)	6,754	–	6,872	29,360	–	29,360
Equity in net earnings (losses) - net	–	–	–	–	(293,267)	(293,267)	–	(293,267)
Net income (loss)	30,352	1,602,622	(27,280)	–	474,120	2,079,814	(45,072)	2,034,742
Total assets	3,631,986	18,534,609	1,646,336	3,326,645	693,273	27,832,849	(6,513,391)	21,319,458
Investments and advances	2,012,400	7,743,783	–	–	35,827	9,792,010	(8,250,019)	1,541,991
Property and equipment	4,275	32,974	860,177	543,922	72,652	1,514,000	831,505	2,345,505

(Forward)

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations	*Other Operations	Investments in Associates	Total	Eliminations	Consolidated
Total liabilities	₱3,452,932	₱4,356,736	₱881,577	₱421,764	₱343,102	₱9,456,111	(₱3,346,093)	₱6,110,018
Depreciation and amortization	7,101	2,235	92,390	–	31,181	132,907	–	132,907
Impairment loss	2,599	700,348	352	–	5,034	708,333	–	708,333
Cash flows from (used in):								
Operating activities	42,297	568,772	218,641	–	18,432	848,142	(118,683)	729,459
Investing activities	(1,269)	(2,041,432)	(151,145)	–	(38,976)	(2,232,822)	943,879	(1,288,943)
Financing activities	40,425	1,445,125	5,106	–	(12,397)	1,478,259	(244,153)	1,234,106

**"Other Operations" include ASAC, AAC, Anscorcon, AI, APHI, CGI, IAI and the Group's equity in net earnings of associates.*

6. Business Combinations

a. Step-acquisition

On December 19, 2014, the Company acquired 60% shareholding and voting interest in PDIPI, and its subsidiary, PDP Energy (collectively referred to as "PDP Group"). As a result, the Company's equity interest in PDP Group increased from 40% to 100%, obtaining control of PDP Group. The primary reason for the additional investment is that the Company believes in the continuing success of PDP Group and in its ability to give an attractive rate of return.

The final fair values of identifiable assets and liabilities of PDP Group at the date of acquisition were (in millions):

	Final Fair Values Recognized on Acquisition
Cash and cash equivalents	₱661.0
Receivables	1,241.5
Inventories	778.2
Property, plant and equipment	1,608.0
Other assets	102.7
Total assets	4,391.4
Accounts payable and accrued expenses	(358.5)
Other payables	(63.9)
Deferred income tax liability	(319.2)
Total identifiable net assets acquired	3,649.8
Goodwill arising from the acquisition	1,202.9
Total consideration	₱4,852.7
Cash paid (presented as investing activities)	₱2,995.7
Fair value of previously held interest	1,857.0
Total consideration	₱4,852.7

The fair values of trade receivables amounted to ₱1,241.5 million. The gross amount of trade receivables is ₱1,307.5 million, of which ₱66.0 million is expected to be uncollectible.

The deferred income tax liability mainly comprises the tax effect of the excess of fair value over cost of property, plant and equipment.

Goodwill is allocated entirely to PDP Energy, the cash generating unit. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets*.

Acquisition-related costs of ₱6.5 million have been charged to operations in 2014.

Since the change in ownership occurred towards the end of the year, for purposes of consolidation of balance sheet, the Company treated PDP Group as a consolidated subsidiary at the end of 2014. However, no revenue and cost and expenses of PDP Group were included in the consolidated statement of comprehensive income in 2014. Had PDP Group been consolidated from January 1, 2014, the consolidated statement of income would show an increase in pro-forma revenue of ₱6,552.4 million and increase in net income of ₱321.3 million in 2014. The revenue and cost and expenses of PDP Group were included in the consolidated statement of comprehensive income starting January 1, 2015.

The Company recognized a gain of ₱699.0 million as a result of measuring at fair value its 40% equity interest in PDP Group held before the business combination. The gain is included in "Other income (charges) - net" account in the 2014 consolidated statement of income (see Note 22).

b. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. The carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) follows (in millions):

	2016	2015
PDP (Note 6a)	**₱1,202.9**	₱1,202.9
Cirrus	**587.3**	550.2
SSRLI (Note 29)	**99.3**	99.3
	₱1,889.5	₱1,852.4

The goodwill allocated to Cirrus of ₱577.9 million, before accumulated exchange differences amounting to ₱115.2 million and ₱78.1 million as of December 31, 2016 and 2015, respectively, and valuation allowance amounting to ₱105.8 million as of December 31, 2016 and 2015, comprises the value of the acquired companies' customer and staff base and existing market share in the healthcare staffing industry. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38. The goodwill from Cirrus increased by ₱37.1 million and ₱32.7 million in 2016 and 2015, respectively, due to foreign exchange differences.

c. Impairment Testing of Goodwill

i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as of December 31, 2016 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2016 and 2015 are 16.1% and 14.4%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 5%, and the difference between the discount rate and growth rate.

Growth rate
PDP Group assumed a growth rate of 5% in 2016 and 2015. Management used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

ii. Cirrus

The recoverable amount of the investments in Cirrus has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as of December 31, 2016 and 2015 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2016 and 2015 are 14.1% and 17.2%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4%, and the difference between the discount rate and growth rate.

Growth rate
Cirrus assumed a growth rate of 9% and 10% in 2016 and 2015, respectively. Growth rate assumptions for the five-year cash flow projections are supported by the different initiatives of Cirrus which started in 2010.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

iii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as of December 31, 2016 and 2015 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2016 and 2015 are 13.0% and 13.1%, respectively.

Growth rate
Growth rate assumptions for the five-year cash flow projections in 2016 and 2015 are supported by the different initiatives of SSRLI. The Company used 5% to 13% and 9% to 24% growth rate in revenue for its cash flow projection in 2016 and 2015, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4%, and the difference between the discount rate and growth rate.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

	2016	2015
Cash on hand and with banks	**₱1,803,257,745**	₱1,296,692,431
Short-term investments	**600,481,773**	477,626,741
	₱2,403,739,518	₱1,774,319,172

Cash with banks earn interest at the respective bank deposit rates ranging from 0.25% to 1.25% and 0.125% to 0.25% in 2016 and 2015, respectively. Short-term investments with interest rates ranging from 0.16% to 0.55% in 2016 and 2015 are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 22).

8. FVPL Investments

	2016	2015
Bonds	**₱744,616,051**	₱481,184,519
Funds and equities	**3,345,600**	6,352,114
Others	**21,718,480**	21,440,001
	₱769,680,131	₱508,976,634

This account consists of investments that are designated as FVPL and held-for-trading investments. Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g. call and put options) that significantly modify the security's cash flow. These investments are classified under bonds and others.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 3.50% to 13.13% in 2016, 4.24% to 13.13% in 2015, and 5.25% to 13.13% in 2014.

Net gains (losses) on increase (decrease) in market value of FVPL investments as of December 31 are as follows (in millions):

	Unrealized valuation gains (losses) in market values as of December 31		**Gain (loss) on increase (decrease) in market value of FVPL investments**
	2016	2015	**in 2016**
Bonds	**(₱22.2)**	**(₱43.8)**	**₱21.6**
Funds and equities	**(0.4)**	**(1.7)**	**1.3**
Others	**1.9**	**1.9**	**–**
Total	**(20.7)**	**(43.6)**	**22.9**
Add realized loss on sale of FVPL investments			**(2.3)**
Net gain on increase in market value of FVPL investments			**₱20.6**

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2015	2014	in 2015
Bonds	(₱43.8)	(₱22.7)	(₱21.1)
Funds and equities	(1.7)	0.3	(2.0)
Others	1.9	1.2	0.7
Total	(43.6)	(21.2)	(22.4)
Add realized loss on sale of FVPL investments			(3.3)
Net loss on decrease in market value of FVPL investments			(₱25.7)

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2014	2013	in 2014
Bonds	(₱22.7)	(₱16.3)	(₱6.4)
Funds and equities	0.3	(2.3)	2.6
Others	1.2	1.1	0.1
Total	(21.2)	(17.5)	(3.7)
Add realized loss on sale of FVPL investments			(5.8)
Net loss on decrease in market value of FVPL investments			(₱9.5)

There were no outstanding forward transaction as of December 31, 2016 and 2015.

9. Receivables

	2016	2015
Trade	**₱2,001,480,123**	₱1,860,418,462
Tax credits/refunds	**139,743,453**	105,022,610
Notes receivable	**32,000,000**	40,000,000
Interest receivable	**21,850,380**	16,498,411
Advances to employees	**14,567,248**	12,374,133
Receivables from villa owners	**11,069,973**	15,960,585
Dividend receivable	**3,299,072**	–
Advances to suppliers	**268,488**	2,117,084
Others	**8,672,669**	14,709,562
	2,232,951,406	2,067,100,847
Less allowance for doubtful accounts	**65,449,513**	72,497,441
	₱2,167,501,893	₱1,994,603,406

Trade receivables are non-interest bearing and are normally settled on a 30-day term.

As at December 31, 2016 and 2015, the Group has notes receivable amounting to ₱32.0 million from ATR Holdings, Inc. and ₱40.0 million from Maybank ATR Kim Eng, respectively. The notes bear 7% interest rate per annum, unsecured and currently due and demandable.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and AFS investments in debt instruments.

Receivables from villa owners pertain to SSRLI's net rental share and handling fees from reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other expenses for villa maintenance.

Others include advances to suppliers related to the total cost of fuel tanks and pipelines funded initially by the subsidiary but will be recovered from the supplier over the supply contract period agreed upon by the parties.

Movement in the allowance for doubtful trade and other receivable accounts are as follows:

	2016		
	Trade	**Others**	**Total**
At January 1	**₱70,664,283**	**₱1,833,158**	**₱72,497,441**
Provision for the year (Note 22)	**26,082,261**	**–**	**26,082,261**
Write-off and translation adjustment	**(33,130,189)**	**–**	**(33,130,189)**
At December 31	**₱63,616,355**	**₱1,833,158**	**₱65,449,513**

	2015		
	Trade	Others	Total
At January 1	₱39,693,797	₱1,833,158	₱41,526,955
Provision for the year (Note 22)	32,110,190	–	32,110,190
Write-off and translation adjustment	(1,139,704)	–	(1,139,704)
At December 31	₱70,664,283	₱1,833,158	₱72,497,441

10. **Inventories**

	2016	2015
At cost:		
Raw materials	**₱109,764,434**	₱75,782,695
Food and beverage	**18,747,134**	15,355,783
Aircraft parts in transit	**7,378,912**	10,033,989
Materials in transit	**5,277,159**	7,200,152
Reel inventory	**3,645,904**	4,043,109
	144,813,543	112,415,728
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱26.9 million in 2016 and ₱19.0 million in 2015	**233,969,537**	262,455,851
Work in process - net of allowance for inventory obsolescence of ₱7.0 million in 2016 and 2015	**102,095,274**	116,874,466
Raw materials - net of allowance for inventory obsolescence of ₱12.2 million in 2016 and ₱6.8 million in 2015	**89,312,869**	81,757,647
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱36.1 million in 2016 and ₱35.3 million in 2015	**76,943,164**	104,184,985
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱5.1 million in 2016 and 2015	**25,240,149**	21,159,618
Construction-related materials - net of allowance for inventory obsolescence of ₱1.5 million in 2016 and 2015	**11,542,383**	2,135,894
	539,103,376	588,568,461
	₱683,916,919	₱700,984,189

Provision for inventory losses recognized in 2016, 2015 and 2014 amounted to ₱14.1 million, ₱7.1 million and ₱1.5 million, respectively.

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as of December 31, 2016 and 2015.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in other construction of villa or future repair or renovation of villas.

11. **AFS Investments**

	2016	2015
Quoted equity shares	**₱5,671,746,053**	₱5,082,198,801
Unquoted equity shares	**1,402,973,236**	1,127,466,140
Bonds and convertible note	**847,825,052**	907,451,753
Funds and equities	**254,471,051**	108,212,393
Proprietary shares	**184,210,321**	190,450,322
	8,361,225,713	7,415,779,409
Less current portion of AFS bonds	**47,728,517**	56,786,078
	₱8,313,497,196	₱7,358,993,331

Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as of December 31, 2016 and 2015 which are assessed to be the exit prices.

AFS investments in bonds represent foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 3.50% to 7.38% in 2016, 3.88% to 8.35% in 2015 and 4.22% to 9.88% in 2014. Maturity dates range from August 8, 2017 to October 15, 2025 for bonds held as of December 31, 2016 and April 22, 2016 to May 3, 2042 for bonds held as of December 31, 2015.

In 2016, 2015, and 2014, gain on sale of AFS investments amounted to ₱555.6 million, ₱1,091.2 million and ₱1,662.0 million, respectively.

The Group's AFS unquoted equity shares, bonds and convertible note include the following:

a. Enderun College, Inc. (Enderun)

   In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The total cost of the investment in Enderun amounting to ₱286.2 million approximates its fair value as of December 31, 2014.

   In 2015, the Company recognized ₱58.6 million gain on fair value adjustment in its investment in Enderun presented in other comprehensive income. The carrying value of the investment in Enderun amounted to ₱344.8 million as at December 31, 2016 and 2015, respectively.

   The Company received cash dividends from Enderun amounting to ₱21.9 million and ₱9.4 million in 2016 and 2015, respectively.

   Investment in Enderun is classified as AFS investments because the Company does not exercise significant influence and its holding in Enderun is not sufficient to influence major business decisions (see Note 4).

b. Y-mAbs Therapeutics, Inc. (YmAbs)

   In December 2015, IQHPC invested US$1.0 million (₱47.1 million) in YmAbs, a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer. This was classified as an AFS equity investment.

On November 10, 2016, IQHPC made additional investments to YmAbs amounting to US$0.75 million (₱36.5 million). In November 2016, IQHPC transferred its investment of 399,544 shares of common stock in YmABs to AI.

As of December 31, 2016 and 2015, the total investment of the Group in YmAbs amounted to ₱87.0 million (inclusive of foreign exchange adjustment) and ₱47.1 million, respectively.

c. Leopard Cambodia Investments (BVI) Ltd. (Leopard)

In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia.

In 2016, AI sold its shares in Leopard for ₱12.5 million which resulted to a gain of ₱1.5 million.

d. KSA Realty Corporation (KSA)

The Company has an equity stake in KSA, the owner of The Enterprise Center, an office building. In 2015, the Company recognized ₱99.2 million gain on fair value adjustment in its investment in KSA which is presented in other comprehensive income (see Note 24).

On June 15, 2016, the Company acquired additional shares in KSA amounting to ₱236.5 million. This increased the Company's stake in KSA from 11.30% in 2015 to 14.28% in 2016. As at December 31, 2016 and 2015, the Company's investment in KSA amounted to ₱752.9 million and ₱516.4 million, respectively.

The Company received cash dividends from KSA amounting to ₱114.2 million and ₱68.5 million in 2016 and 2015, respectively.

e. Maybank ATR Kim Eng Capital Partners, Inc. (Maybank ATR)

On October 21, 2013, the Company entered into a Memorandum of Agreement with Maybank ATR and other parties to incorporate an entity that shall serve as the holding company of the parties for their investments in a stand-alone trust company. In 2013, the Company invested ₱18.75 million in 15,000,000 common shares and ₱18.75 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares of the new entity. These investments give the Company a total of 10% interest in the new entity. As of December 31, 2016 and 2015, the cost of the Company's investment amounted to ₱37.5 million.

f. Geothermal Project

On January 10, 2014, the Company entered into a loan and investment agreement with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESC). Under this agreement, the Company committed to lend up to ₱172.0 million for exploration phase of the three sites. As at December 31, 2016 and 2015, total amount of investment amounted to ₱82.9 million, net of allowance for impairment amounting to ₱58.0 million.

The Company may choose to convert each Note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company opts not convert the note within the agreed time frame, these notes will accrue interest until they mature 62 months from the initial drawdown date.

Below is the rollforward of the unrealized valuation gains (losses) on AFS investments recognized in equity:

	2016	2015
Beginning balance	**₱686,254,240**	₱3,238,819,432
Gain (loss) recognized directly in equity - net of tax	**1,175,213,241**	(2,271,925,735)
Amount removed from equity and recognized in consolidated statements of income - net of tax	**38,309,243**	(280,639,457)
Ending balance	**₱1,899,776,724**	₱686,254,240

In 2016, 2015 and 2014, the Group recognized impairment losses on its quoted and unquoted AFS debt and equity investments amounting to ₱590.9 million, ₱805.2 million, and ₱259.9 million, respectively (see Note 22).

12. Investments and Advances

	2016	2015
Investments at equity - net	**₱1,941,304,352**	₱1,821,604,352
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2016 and 2015	**2,269,627**	2,655,735
	₱1,943,573,979	₱1,824,260,087

Advances to Vicinetum amounted to ₱1.4 million and ₱1.3 million as of December 31, 2016 and 2015, respectively, net of allowance for doubtful accounts of ₱564.8 million in both years.

Investments at equity consist of:

	2016	2015
Acquisition cost:		
Common shares	**₱199,199,033**	₱188,638,207
Preferred shares	**2,059,988,045**	1,997,775,000
Total	**2,259,187,078**	2,186,413,207
Accumulated equity in net earnings - net of valuation allowance	**(557,507,726)**	(484,733,855)
Effect of foreign exchange differences	**239,625,000**	119,925,000
	₱1,941,304,352	₱1,821,604,352

The significant transactions involving the Group's investments in associates for 2016 and 2015 follow:

AGP International Holdings Ltd. (AGPI)
In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares

at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI amounting to US$40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased AI's holdings to 27% giving the Group significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to ₱2.0 billion. As of December 31, 2016 and 2015, the carrying value of the investment amounted to ₱1,941.3 million and ₱1,821.6 million, respectively.

The following are the significant financial information relevant to the Group's investment in AGPI as of and for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Equity	**₱7,385.2**	₱6,167.7
Net income	**1,447.7**	568.7

<u>BM</u>

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constituted 10% of the total Series A preferred units outstanding. In the first quarter of 2012, all of AI's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics that allow it to measure and quantify emotions associated with digital content.

In July 2015, AI made an additional investment of US$0.5 million (₱22.5 million).

In March 2016, AI invested an additional US$0.437 million (₱20.5 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US$0.814 million (₱39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

In 2016 and 2015, AI provided impairment loss on its investment in BM amounting to ₱62.2 million [presented under "Equity in net earnings (losses) - net" in the consolidated statement of income] and ₱57.2 million (see Note 22), respectively.

As of December 31, 2016 and 2015, the net carrying value of AI's investment in BM presented under investments at equity and AFS investments, respectively, amounted to nil.

Prople Limited

In November 2013, AI invested US$4.0 million (₱175.9 million) convertible notes in Prople Limited. In August 2015 and February 2016, AI purchased Tranche C notes of Prople Limited amounting to US$0.5 million (₱22.6 million) and US$0.2 million (₱10.6 million), respectively. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first three years and if not converted on the third anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five-year US Dollar Republic of the Philippines (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, AI converted the notes to equity, giving AI a 32% equity stake and a significant influence over Prople Limited.

In 2016 and 2015, AI provided impairment loss on its investment in Prople amounting to ₱10.6 million (presented under "Equity in net earnings (losses) - net" in the consolidated statement of income) and ₱197.9 million (see Note 22), respectively.

As of December 31, 2016 and 2015, the net carrying value of AI's investment in Prople presented under investments in equity and AFS investments, respectively, amounted to nil.

The associates as of December 31, 2016 and 2015 have no contingent liabilities or capital commitments.

PDIPI and Subsidiaries

a. PDP Energy established PDEIC, a PEZA-registered company engaged in manufacturing wires, mainly for export.

b. Cash dividends received by the Company amounted to ₱250.0 million at ₱2.91 per share in 2016, ₱1.6 billion at ₱272.4 per share in 2015 and ₱95.2 million at ₱40.3 per share in 2014.

As discussed in Note 6, PDP Group became subsidiaries of the Company towards the end of December 2014. Prior to that, PDP Group is accounted for as an associate.

Anscor-Casto Travel Corporation

In 2014, the Company sold its 44% interest in Anscor-Casto Travel Corporation for ₱9.5 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

Newco, Inc.

In 2014, the Company sold its 45% interest in Newco, Inc. for ₱46.6 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

13. **Property and Equipment**

	2016					
	Land, Buildings and Improvements	**Flight Ground, Machinery and Other Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
January 1	**₱2,624,262,278**	**₱803,726,553**	**₱381,796,968**	**₱160,482,455**	**₱38,280,634**	**₱4,008,548,888**
Additions	**13,014,678**	**30,118,847**	**54,366,982**	**35,153,068**	**47,231,851**	**179,885,426**
Reclassification	**28,600,967**	**19,394,355**	**–**	**–**	**(47,995,322)**	**–**
Retirement/disposals	**–**	**–**	**(566,551)**	**(11,769,257)**	**–**	**(12,335,808)**
Foreign exchange adjustment	**427,647**	**–**	**2,603,627**	**–**	**–**	**3,031,274**
December 31	**2,666,305,570**	**853,239,755**	**438,201,026**	**183,866,266**	**37,517,163**	**4,179,129,780**
Accumulated Depreciation and Amortization						
January 1	**598,359,494**	**325,983,683**	**266,016,152**	**116,312,545**	**–**	**1,306,671,874**
Depreciation and amortization	**97,540,270**	**77,899,620**	**41,275,895**	**17,352,970**	**–**	**234,068,755**
Retirement/disposals	**–**	**–**	**(364,947)**	**(11,397,233)**	**–**	**(11,762,180)**
Foreign exchange adjustment	**(375,479)**	**–**	**1,795,771**	**–**	**–**	**1,420,292**
December 31	**695,524,285**	**403,883,303**	**308,722,871**	**122,268,282**	**–**	**1,530,398,741**
Net Book Value	**₱1,970,781,285**	**₱449,356,452**	**₱129,478,155**	**₱61,597,984**	**₱37,517,163**	**₱2,648,731,039**

	2015					
	Land, Buildings and Improvements	Flight, Ground,` Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱2,588,972,115	₱762,499,675	₱295,345,186	₱147,146,569	₱40,941,659	₱3,834,905,204
Additions	19,585,661	53,432,485	28,292,544	15,313,172	120,696,386	237,320,248
Reclassification	15,566,895	46,858,945	60,931,571	–	(123,357,411)	–
Retirement/disposals	–	(59,064,552)	(3,672,319)	(1,977,286)	–	(64,714,157)
Foreign exchange adjustment	137,607	–	899,986	–	–	1,037,593
December 31	2,624,262,278	803,726,553	381,796,968	160,482,455	38,280,634	4,008,548,888
Accumulated Depreciation and Amortization						
January 1	508,141,758	289,726,339	232,415,175	102,658,200	–	1,132,941,472
Depreciation and amortization	90,263,073	95,321,896	36,425,705	14,757,226	–	236,767,900
Retirement/disposals	–	(59,064,552)	(3,605,736)	(1,102,881)	–	(63,773,169)
Foreign exchange adjustment	(45,337)	–	781,008	–	–	735,671
December 31	598,359,494	325,983,683	266,016,152	116,312,545	–	1,306,671,874
Net Book Value	₱2,025,902,784	₱477,742,870	₱115,780,816	₱44,169,910	₱38,280,634	₱2,701,877,014

As of December 31, 2016 and 2015, land with improvements and structures of SSRLI with appraised value of ₱2,923.0 million were used as collateral for the loan obtained in 2005 by a subsidiary (see Note 18). As of December 31, 2016 and 2015, the mortgage participating certificates or "MPC" issued to the creditor bank represents 3% and 5%, respectively, of the appraised value of the properties that were used as collateral. The carrying value of the related property amounted to ₱269.2 million and ₱301.9 million as of December 31, 2016 and 2015, respectively.

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of constructing and assembling machineries and equipment.

Depreciation charged to operations amounted to ₱234.1 million, ₱236.8 million, and ₱132.9 million in 2016, 2015 and 2014, respectively (see Note 20).

14. Investment Properties

	2016	2015
January 1	**₱260,569,744**	₱260,569,744
Additions	**640,000**	–
Disposals	**(26,331,909)**	–
December 31	**₱234,877,835**	₱260,569,744

The Group's investment properties include 144.0 hectares of land in Palawan, 875.0 hectares of land in Cebu, and 97.4 hectares in Guimaras.

In 2016, the Group sold its investment property in Cebu to a third-party buyer through the sale of 100% of outstanding shares of stock of Uptown Kamputhaw Holdings, Inc., formerly APHI. Gain on sale of the investment amounted to ₱343.2 million, net of commission expense of ₱17.7 million.

Based on the valuation performed by professionally qualified, accredited and independent appraisers as of November and December 2016, the aggregate fair market values of investment properties amounted to ₱357.0 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are either for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform rules, AAC has to complete the development on the Guimaras land by September 2018.

In 2016 and 2015, the Group derived no income from these investment properties.

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2016, 2015 and 2014.

15. Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets as of December 31 include:

	2016	2015
Fund for villa operations and capital expenditures (Note 29)	**₱85,261,048**	₱87,195,705
Deposit to supplier (Note 29)	**35,191,266**	14,157,327
Deferred nurse cost	**3,242,209**	7,225,350
Refundable deposits	**2,096,322**	2,051,851
Others	**3,215,933**	7,652,253
	₱129,006,778	₱118,282,486

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as “Other noncurrent liabilities” in the consolidated balance sheets (see Note 29).

Other noncurrent liabilities also include ₱70.9 million and ₱73.0 million fund for future infrastructure and utility development of villas as of December 31, 2016 and 2015, respectively, which is an allocated charge to the villa owners. The fund is intended to be used for putting up new infrastructure or utilities such as power generating units, roads, potable water, and sewer and irrigation lines, electrical and auxiliary lines essential for a villa to be operable. The fund also includes the villa’s share in the future expansion of the existing back-of-house facilities (power generation, potable water production, sewage treatment plant, etc.) of PRI so that the resort’s utilities’ capacity can accommodate the additional demand that arises from the proposed new villa.

16. **Notes Payable**

Notes payable represent unsecured (unless otherwise stated), short-term, interest-bearing liabilities of Cirrus amounting to ₱91.9 million and ₱26.2 million as at December 31, 2016 and 2015, respectively.

a. Cirrus obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the U.S., with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as of December 31, 2016 and 2015 amounted to US$1.8 million (₱91.9 million) and US$0.6 million (₱26.2 million), respectively. As of December 31, 2016 and 2015, Cirrus has an available credit line which amounted to US$3.2 million (₱156.7 million) and US$1.9 million (₱89.4 million), respectively. As of December 31, 2016 and 2015, Cirrus is in compliance with the debt covenants.

b. The Company availed of loans from local banks totaling to ₱554.0 million and ₱257.0 million in 2016 and 2015, respectively. Terms of the loans is 11 to 30 days with rates ranging from 2.6% to 7%. As at December 31, 2016 and 2015, the loans were fully paid.

c. In 2015, PDP Energy availed of a short-term loan from a local bank amounting to ₱300.0 million which bears annual interest rates ranging from 2.75% to 3.00%, repriced monthly based on market conditions. As of December 31, 2015, the loan was fully paid.

d. The Group’s unavailed loan credit line from banks amounted to ₱3,025.0 million and ₱4,025.0 million as of December 31, 2016 and 2015, respectively.

e. Total interest expense from these loans recognized in the consolidated statements of income amounted to ₱2.3 million in 2016, ₱21.7 million in 2015, and ₱17.7 million in 2014 (see Note 22).

17. **Accounts Payable and Accrued Expenses**

	2016	2015
Trade payables	**₱451,701,048**	₱346,260,502
Accrued expenses (Note 30)	**214,192,989**	274,104,750
Refundable deposits	**181,519,584**	189,260,593
Payable to contractors	**34,627,981**	19,613,461
Payable to government agencies	**41,795,677**	29,643,000
Payable to villa owners	**4,162,545**	21,389,213
Other payables	**41,798,985**	35,851,449
	₱969,798,809	₱916,122,968

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group.

Advances from customers pertain mainly to payment of PDP's customers for future delivery of goods and advance payments made by PRI's customers for hotel reservations.

Payable to contractors are amount due to suppliers for ongoing and completed construction projects.

18. **Long-term Debt**

The Group's outstanding long-term debt from local banks pertain to the following companies:

	2016	2015
Anscor	**₱1,566,180,000**	₱1,905,930,000
PDP	**942,857,143**	1,114,285,714
IAI	**36,544,200**	44,471,700
PRI	**–**	33,218,946
	2,545,581,343	3,097,906,360
Less current portion	**629,350,200**	638,070,546
	₱1,916,231,143	₱2,459,835,814

a. On June 24, 2013, the Company obtained a loan amounting to US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AG&P. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱2,273.7 million and ₱2,169.1 million as of December 31, 2016 and 2015, respectively. This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

b. In 2015, PDP Energy obtained a long-term loan to partially fund the ₱1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to ₱1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the Bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2016, PDP Energy is in compliance with the debt covenants.

In addition, the long-term loan is secured by the following collaterals, among others:

- Real estate mortgage over the land owned by Minuet;
- Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;
- Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
- Assignment of leasehold rentals of the properties located in PDP Energy's premises.

The long-term loan also provides for pretermination without penalty.

Movements and details of long-term loan as at December 31 are as follows:

	2016	2015
Beginning balance	**₱1,114,285,714**	₱–
Availment	–	1,200,000,000
Payments	**(171,428,571)**	(85,714,286)
Ending balance	**942,857,143**	1,114,285,714
Less current portion	**171,429,000**	171,429,000
Noncurrent portion	**₱771,428,143**	₱942,856,714

Interest expense from long-term loan of PDP Energy amounted to ₱45.7 million and ₱36.2 million in 2016 and 2015, respectively. Accrued interest payable amounted to ₱8.8 million and ₱9.9 million as at December 31, 2016 and 2015, respectively.

c. In 2014, IAI converted the short-term loan amounting to US$1.05 million (₱46.96 million) to long-term loan. The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering a portion of the assets of SSRLI.

The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

d. Loans payable of PRI amounting to US$2.0 million (₱108.0 million) and US$1.0 million (₱53.0 million) were obtained on November 29, 2005 and December 22, 2011, respectively. The US$2.0 million loan, which was transferred from SSRLI through an execution of Deed of Assumption of Loan and Mortgage dated June 2, 2011, is subject to Mortgage Trust Indenture (MTI), covering the assets of SSRLI (see Note 13). Both loans have a floating interest rate per quarter equivalent to the average quarterly LIBOR plus 2% spread. The US$2.0 million loan has a maximum term of seven years, including three years grace period while the US$1.0 million loan has a maximum term of five years. Both loans are payable in 17 equal quarterly installments starting October 2012 to October 2016. Current portion of loans payable amounted to nil and ₱33.2 million as of December 31, 2016 and 2015, respectively.

   On October 3, 2012, PRI obtained a loan from its stockholder amounting to ₱30.0 million. The loan has a grace period of five years and is payable in seven equal annual installments commencing in the year 2018 up to 2024. In lieu of the interest, PRI waives the landing and take-off charges on the said stockholder's use of PRI's runway in Amanpulo. In 2013, PRI obtained an additional loan from the stockholder amounting to ₱19.1 million with the same terms from the previous loan. In May 2015, the loan to the stockholder amounting to ₱49.2 million was fully settled by SSRLI on behalf of PRI.

Total interest expense recognized in the consolidated statements of income amounted to ₱105.0 million, ₱94.9 million, and ₱43.4 million in 2016, 2015 and 2014, respectively (see Note 22).

19. **Equity**

Equity holders of the Parent

Capital stock consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱3,464,310,958
Issued	2,500,000,000	₱2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as of December 31, 2016 and 2015 totaled 1,232,593,254 and 1,233,699,354, respectively. The Company's number of equity holders as of December 31, 2016 and 2015 is 11,225 and 11,302, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.0 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the Philippine SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2016, 2015 and 2014, the Company declared the following cash dividends:

	2016	2015	2014
Cash dividends per share	**₱0.20**	₱0.10	₱0.25
Month of declaration	**March**	May	November
Total cash dividends	**₱500.0 million**	₱250.0 million	₱625.0 million
Share of a subsidiary	**₱253.5 million**	₱125.8 million	₱314.5 million

As of December 31, 2016 and 2015, the Company's dividends payable amounted to ₱242.2 million and ₱229.6 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2016 and 2015 due to problematic addresses of some of the Company's stockholders.

The Company's BOD approved the following appropriation of the Company's unrestricted retained earnings:

Date of Appropriation	Amount
2011	₱2,100,000,000
2013	900,000,000
2014	1,600,000,000
2015	1,700,000,000
2016	850,000,000
	₱7,150,000,000

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing, manpower services, education and manufacturing, whether based in the Philippines or offshore. Appropriations which were due for expirations were extended for additional three years.

The unappropriated retained earnings is restricted for the dividend declaration by the following:

- Balance of gross deferred income tax assets amounting ₱99.5 million and ₱153.3 million as of December 31, 2016 and 2015, respectively.
- Shares in the undistributed retained earnings of subsidiaries and associates amounting to ₱2.6 billion and ₱1.6 billion as of December 31, 2016 and 2015, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary
As of December 31, 2016 and 2015, Anscorcon holds 1,267,406,746 shares and 1,266,300,646 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱6.8 million (1,106,100 shares) and ₱55.9 million (8,400,000 shares) in 2016 and 2015, respectively.

20. Cost of Goods Sold and Services Rendered and Operating Expenses

Cost of goods sold consists of:

	2016	2015
Materials used and changes in inventories (Note 10)	**₱4,780,202,671**	₱4,547,877,135
Repairs and maintenance	**126,373,261**	102,892,525
Salaries, wages and employee benefits (Note 21)	**100,910,214**	90,045,965
Utilities	**82,975,821**	88,514,624
Depreciation and amortization (Note 13)	**78,018,330**	80,706,067
Transportation and travel	**5,128,643**	5,191,943
Insurance	**1,968,394**	2,489,433
Dues and subscriptions	**1,676,767**	1,680,190
Fuel cost	**331,399**	398,488
Others	**10,746,797**	11,977,260
	₱5,188,332,297	₱4,931,773,630

Cost of services rendered consists of:

	2016	2015	2014
Salaries, wages and employee benefits (Note 21)	**₱1,587,150,307**	₱1,177,618,229	₱821,596,656
Insurance	**123,475,477**	90,683,928	66,864,333
Recruitment services	**123,367,404**	89,437,777	70,470,909
Dues and subscriptions	**106,726,263**	65,420,731	40,091,648
Other operating costs - resort	**101,640,624**	105,012,101	73,385,305
Transportation and travel	**50,954,088**	36,144,655	25,025,021
Outside services	**36,347,026**	43,162,954	60,019,196
Housing cost	**30,138,144**	31,219,222	30,794,148
Materials and supplies - resort operations	**29,936,594**	30,502,161	24,656,357
Depreciation and amortization (Note 13)	**27,405,992**	28,409,146	27,154,445
Fuel cost	**26,581,852**	33,328,482	55,147,646
Repairs and maintenance	**24,344,528**	22,173,010	22,207,388
Commissions	**12,422,708**	15,260,469	13,154,514
Variable nurse costs	**7,748,434**	7,461,184	3,388,812
Others	**24,339,165**	33,268,392	27,558,690
	₱2,312,578,606	₱1,809,102,441	₱1,361,515,068

Operating expenses consist of:

	2016	2015	2014
Salaries, wages and employee benefits (Note 21)	**₱370,375,345**	₱340,945,122	₱276,776,685
Taxes and licenses	**140,391,738**	67,625,106	43,522,272
Depreciation and amortization (Note 13)	**128,644,433**	127,652,687	105,752,691
Professional and directors' fees	**124,630,473**	94,483,322	76,167,744
Advertising	**109,709,523**	116,267,925	58,940,372

(Forward)

	2016	2015	2014
Shipping and delivery expenses	**₱84,507,245**	₱79,891,698	₱977,353
Utilities	**55,643,818**	68,855,836	92,803,138
Transportation and travel	**52,910,938**	21,025,407	29,395,090
Commissions	**41,995,138**	40,094,155	22,151,535
Repairs and maintenance	**36,002,550**	41,432,321	41,723,110
Insurance	**29,866,029**	26,148,572	13,094,357
Rental (Note 29)	**21,633,810**	18,756,512	13,052,306
Communications	**19,187,297**	19,212,844	9,645,650
Security services	**18,152,937**	18,307,777	14,258,848
International processing cost	**14,422,025**	7,356,938	4,195,032
Entertainment, amusement and recreation	**12,757,890**	18,550,777	12,779,121
Meetings and conferences	**10,414,427**	3,783,380	3,174,816
Donation and contribution	**8,162,186**	7,632,540	5,480,051
Association dues	**7,714,913**	7,690,415	5,867,816
Computer programming	**6,537,040**	3,209,205	3,303,519
Office supplies	**6,482,155**	7,263,853	4,295,975
Medical expenses	**3,889,441**	3,632,848	–
Others	**43,738,301**	28,755,833	28,502,802
	₱1,347,769,652	₱1,168,575,073	₱865,860,283

In 2016, 2015 and 2014, the Company paid bonus to its non-executive directors amounting to ₱9.0 million, ₱13.4 million, and ₱6.4 million, respectively.

21. Personnel Expenses

	2016	2015	2014
Salaries and wages	**₱1,987,758,372**	₱1,479,276,277	₱1,059,316,132
Pension costs (Note 23)	**15,698,052**	16,230,854	11,722,183
Social security premiums, meals and other employees' benefits	**54,979,442**	113,102,185	27,335,026
	₱2,058,435,866	₱1,608,609,316	₱1,098,373,341

In 2016, 2015 and 2014, the Company declared and paid bonuses to its executive officers amounting to ₱39.3 million, ₱63.3 million, and ₱29.3 million, respectively.

22. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

	2016	2015	2014
Debt instruments (Notes 8 and 11)	**₱79,517,862**	₱73,314,316	₱75,149,914
Cash and cash equivalents (Note 7)	**5,512,222**	4,679,094	17,439,665
Funds and equities	**3,326,334**	5,309,052	3,406,469
Others	**6,955,209**	12,957	442,951
	₱95,311,627	₱83,315,419	₱96,438,999

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.5 million in 2016, ₱0.4 million in 2015, and ₱2.8 million in 2014.

Interest expense consists of:

	2016	2015	2014
Long-term debt (Note 18)	**₱104,959,908**	₱94,940,763	₱43,408,333
Notes payable (Note 16)	**2,259,110**	21,652,492	17,722,053
Others	**1,788,116**	5,979	230,657
	₱109,007,134	₱116,599,234	₱61,361,043

Other income (charges) consists of:

	2016	2015	2014
Valuation allowances on:			
AFS investments (Note 11)	**(₱590,899,207)**	(₱805,238,727)	(₱259,940,637)
Receivables (Note 9)	**(26,082,261)**	(32,110,190)	(6,174,132)
Other current and noncurrent assets	**(1,584,786)**	(3,774,453)	(1,811,227)
Recovery of allowances for impairment losses (Notes 9, 10 and 11)	**16,509,318**	–	24,553,505
Rental income	**7,542,788**	3,771,910	819,991
Gain on remeasurement of previously held interest (Note 6)	**–**	–	699,011,094
Service fee	**–**	59,050,000	–
Insurance claims (Note 12)	**–**	–	46,228,744
Others	**60,029,550**	24,701,343	25,323,797
	(₱534,484,598)	(₱753,600,117)	₱528,011,135

In 2015, a subsidiary entered into a contract and received a fee of ₱59.0 million for various services rendered.

On November 8, 2013, PRI sustained property damages brought by Typhoon Yolanda. Because of these damages, its operations were temporarily suspended and resumed only on December 15, 2013. In 2013, PRI applied for insurance claims. In August and September 2014, PRI received its insurance of ₱46.23 million.

Others included ASAC's reimbursement from lessees and reversal of accrued expenses.

23. Pension

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Company contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Company contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as of December 31, 2016 and 2015 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.13% to 9.13% in 2016 and 2015 and have maturities from September 4, 2016 to October 24, 2037 in 2016 and 2015;

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 2.13% to 8.5% in 2016 and 4.41% to 8.5% in 2015 and have maturities from May 22, 2017 to April 20, 2025 in 2016 and from August 27, 2019 to April 25, 2025 in 2015; and

d. Investments in equity securities, which consist of actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As of December 31, 2016 and 2015, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱39.9 million and ₱41.0 million, respectively. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱3.2 million and ₱2.1 million in 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the Fund's carrying value and fair value amounted to ₱448.6 million and ₱426.7 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2016	2015	2014
Retirement benefit cost:			
Current service cost	**₱18,559,744**	₱19,132,392	₱13,730,445
Net interest	**(2,861,692)**	(2,901,538)	(2,008,262)
Net benefit expense (Note 21)	**₱15,698,052**	₱16,230,854	₱11,722,183
Actual return on plan assets	**₱5,905,193**	₱1,824,388	₱23,535,342

Changes in net retirement plan asset are as follows:

	2016	2015	2014
Net retirement plan asset, beginning	**₱59,482,997**	₱65,533,724	₱53,846,435
Current service cost	**(13,968,281)**	(13,310,014)	(10,316,336)
Net interest	**3,015,453**	3,221,383	2,383,337
	(10,952,828)	(10,088,631)	(7,932,999)
Actuarial changes arising from:			
Remeasurement of plan assets	**(13,230,751)**	(17,100,815)	9,836,624
Experience adjustments	**8,514,257**	7,386,456	1,357,122
Changes in financial assumptions	**–**	99,446	657,490
Changes in the effect of asset ceiling	**5,045,756**	2,473,743	(2,982,175)
	329,262	(7,141,170)	8,869,061
Contribution	**10,917,120**	11,179,074	7,723,131
Transfer from net retirement benefits payable	**414,715**	–	–
Net plan assets of acquired subsidiary (Note 6)	**–**	–	3,028,096
Net retirement plan asset, end	**₱60,191,266**	₱59,482,997	₱65,533,724

Changes in net retirement benefits payable are as follows:

	2016	2015	2014
Net retirement benefits payable, beginning	**(₱6,666,773)**	(₱9,054,911)	(₱10,965,263)
Current service cost	**(4,591,463)**	(5,822,378)	(3,414,109)
Net interest	**(153,761)**	(319,845)	(375,075)
	(4,745,224)	(6,142,223)	(3,789,184)
Actuarial changes arising from:			
Experience adjustments	**(52,784)**	(4,826,719)	(795,535)
Remeasurement of plan assets	**(1,593,549)**	(581,257)	190,861
Changes in financial assumptions	**2,184,750**	4,190,933	(922,028)
Changes in the effect of asset ceiling	**43,978**	–	–
	582,395	(1,217,043)	(1,526,702)

(Forward)

	2016	2015	2014
Contribution	**₱7,032,548**	₱9,747,404	₱6,200,818
Transfer to net retirement plan asset	**(414,715)**	–	–
Benefits paid directly by the Group	**–**	–	1,025,420
Net retirement benefits payable, end	**(₱4,211,769)**	(₱6,666,773)	(₱9,054,911)

Computation of net retirement plan assets (liabilities):

2016

	Net Retirement Plan Assets	Net Retirement Liabilities	Total
Present value of defined benefit obligation	(₱346,015,862)	(₱41,890,705)	(₱387,906,567)
Fair value of plan assets	410,514,332	38,093,651	448,607,983
Surplus (deficit)	64,498,470	(3,797,054)	60,701,416
Effect of the asset ceiling	(4,721,919)	–	(4,721,919)
Transfer to retirement plan asset	414,715	(414,715)	–
Retirement plan assets (liabilities)	₱60,191,266	(₱4,211,769)	₱55,979,497

2015

	Net Retirement Plan Assets	Net Retirement Liabilities	Total
Present value of defined benefit obligation	(₱325,294,428)	(₱39,236,445)	(₱364,530,873)
Fair value of plan assets	394,111,065	32,613,650	426,724,715
Surplus (deficit)	68,816,637	(6,622,795)	62,193,842
Effect of the asset ceiling	(9,333,640)	(43,978)	(9,377,618)
Retirement plan assets (liabilities)	₱59,482,997	(₱6,666,773)	₱52,816,224

Changes in the present value of defined benefit obligation:

	2016	2015
Defined benefit obligation, beginning	**₱364,530,873**	₱341,770,555
Interest cost	**17,433,766**	16,082,344
Current service cost	**18,559,744**	19,132,392
Benefits paid from plan assets	**(1,971,593)**	(5,604,302)
Remeasurement in other comprehensive income:		
Actuarial gain - changes in financial assumptions	**(2,184,750)**	(4,290,379)
Actuarial loss - change in demographic assumptions	**1,763,688**	–
Actuarial gain - experience adjustments	**(10,225,161)**	(2,559,737)
Defined benefit obligation, ending	**₱387,906,567**	₱364,530,873

Changes in the fair value of plan assets:

	2016	2015
Fair value of plan assets, beginning	**₱426,724,715**	₱409,578,151
Interest income	**20,729,493**	19,506,460
Contributions	**17,949,668**	20,926,478
Remeasurement loss	**(14,824,300)**	(17,682,072)
Benefits paid from plan assets	**(1,971,593)**	(5,604,302)
Fair value of plan assets, ending	**₱448,607,983**	₱426,724,715

Changes in the effect of asset ceiling:

	2016	2015
Beginning balance	**₱9,377,618**	₱11,328,783
Changes in the effect of asset ceiling	**(5,089,734)**	(2,473,743)
Interest on the effect of asset ceiling	**434,035**	522,578
Ending balance	**₱4,721,919**	₱9,377,618

The fair value of plan assets as of December 31 are as follows:

	2016	2015
Debt instruments	**₱185,013,512**	₱151,923,113
Unit investment trust funds	**109,446,594**	97,074,293
Equity instruments	**92,751,984**	120,684,378
Cash and cash equivalents	**45,425,257**	40,742,739
Others	**15,970,636**	16,300,192
	₱448,607,983	₱426,724,715

The financial instruments with quoted prices in active market amounted to ₱299.5 million and ₱204.2 million as of December 31, 2016 and 2015, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Company, PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2016	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**-0.7% to -4.0%**	**₱3,566,736**
	+0.6% to +4.4%	**(3,876,060)**
Future salary increases	**+1.1% to +8.4%**	**₱6,874,329**
	-1.0% to -7.2%	**(6,004,623)**

2015	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	-0.6% to -4.9%	₱4,099,559
	+0.7 to 5.4%	(4,472,116)
Future salary increases	+1.1% to 10.2%	₱7,981,416
	-1.0% to -8.8%	(6,925,561)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries except PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2016	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**-4.1% to -8.1%**	**₱897,356**
	+4.6% to +9.1%	**(712,052)**
Future salary increase	**+4.1% to 8.4%**	**₱1,380,422**
	-3.8% to -7.4%	**(1,240,425)**

2015	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	-1.0% to -7.8%	(₱496,858)
	+1.0% to 9.1%	580,414
Future salary increase	+1.0% to 8.0%	₱508,937
	-1.0 to -7.0%	(446,728)

The Group expects to make contributions amounting to ₱20.9 million to its defined benefit pension plans in 2016.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2016	2015
Discount rate	**4.64% to 5.86%**	4.30% to 5.64%
Future salary increases	**3.00% to 5.00%**	5.00% to 10.00%

The weighted average duration of the defined benefit obligation as of December 31, 2016 and 2015 ranges from 1.8 to 11.8 years and 1.8 to 16.8 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2016 and 2015:

Year	**2016**	2015
2017	**₱159,025,500**	₱155,431,588
2018	**13,262,761**	9,280,105
2019	**6,982,818**	6,715,322
2020	**11,495,521**	12,295,369
2021	**88,259,168**	94,757,510
2022 to 2026	**31,296,005**	28,503,743

24. Income Taxes

The provision for income tax consists of:

	2016	2015	2014
Current	**₱338,260,726**	₱272,752,008	₱12,927,935
Deferred	**85,435,341**	36,645,647	16,432,009
	₱423,696,067	₱309,397,655	₱29,359,944

The components of the net deferred income tax assets (liabilities) are as follows:

	2016		2015	
	Net Deferred Income Tax Assets[(1)]	**Net Deferred Income Tax (Liabilities)[(2)]**	Net Deferred Income Tax Assets[(1)]	Net Deferred Income Tax (Liabilities)[(2)]
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowance for doubtful accounts	**₱26,498,106**	**₱6,145,889**	₱27,983,703	₱9,615,346
Allowance for inventory losses	**24,772,634**	**–**	28,311,111	–
Accrued expenses	**8,608,406**	**3,972,777**	7,686,498	3,422,768
Unamortized past service cost	**1,630,587**	**1,621,856**	12,907,495	2,085,246
Unrealized foreign exchange loss	**1,309,770**	**6,194,707**	1,255,789	19,694,777
Retirement benefits payable	**1,448,372**	**–**	752,404	–
Market adjustment on FVPL	**–**	**15,097,294**	–	13,053,875
NOLCO on federal and state income tax	**–**	**–**	–	16,873,653
Others	**2,229,188**	**–**	9,619,820	–
	66,497,063	**33,032,523**	88,516,820	64,745,665
Deferred income tax liabilities on:				
Fair value adjustment	**–**	**(356,389,025)**	–	(356,389,025)
Goodwill amortization of Cirrus	**–**	**(185,001,298)**	–	(128,522,084)
Uncollected management fee	**–**	**(8,462,334)**	–	(5,835,042)
Retirement plan assets	**(2,961,335)**	**(3,113,386)**	(1,335,269)	(5,515,109)
Unrealized foreign exchange gains	**(667,578)**	**–**	(26,757,874)	–
Others	**–**	**–**	(538,111)	–
	(3,628,913)	**(552,966,043)**	(28,631,254)	(496,261,260)
Recognized in the consolidated other comprehensive income				
Deferred income tax liabilities on:				
Unrealized valuation gains on AFS investments	**(944,264)**	**(67,470,367)**	(689,857)	(59,818,732)
Cumulative actuarial gains	**380,955**	**(12,756,171)**	–	(11,539,908)
	(563,309)	**(80,226,538)**	(689,857)	(71,358,640)
	₱62,304,841	**(₱600,160,058)**	₱59,195,709	(₱502,874,235)

(1) *Pertain to PDP, SSRLI, ASAC, APHI, AHI, Anscorcon and Sutton*
(2) *Pertain to Anscor and AI*

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2016	2015
Allowances for:		
Impairment losses	**₱1,527,630,711**	₱936,731,504
Doubtful accounts	**569,379,331**	609,698,582
Inventory losses	**3,877,877**	3,955,899
NOLCO	**269,860,049**	589,540,228
Accrued pension benefits and others	**16,256,984**	27,365,371
Unrealized foreign exchange losses	**11,473,695**	10,997,073
Provision for probable losses and lawsuits	**5,721,158**	5,721,158
MCIT	**4,745,193**	4,474,885

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2016, 2015 and 2014 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2016, 2015 and 2014.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2016	2015	2014
Provision for income tax at statutory tax rates	**₱634,196,025**	₱501,797,840	₱619,230,451
Additions to (reductions from) income taxes resulting from:			
Gain on sale of AFS investments, marketable equity securities and other investments subjected to final tax	**(165,363,218)**	(322,201,613)	(515,638,967)
Income tax at 5% GIT	**(94,108,256)**	(72,567,282)	(25,905,954)
Movement in unrecognized deferred income tax assets	**66,327,305**	262,898,352	236,630,712
Dividend income not subject to income tax	**(65,639,343)**	(62,895,499)	(78,258,624)
Expired NOLCO and MCIT	**38,513,380**	21,800,602	28,968,902
Nontaxable income	**(9,622,892)**	–	–
Interest income already subjected to final tax	**(1,006,593)**	(335,147)	(2,427,063)
Gain on remeasurement of previously held interest	**–**	–	(209,703,328)
Equity in net earnings of associates not subject to income tax	**–**	(46,186,157)	(44,142,332)
Others	**20,399,659**	27,086,559	20,606,147
	₱423,696,067	₱309,397,655	₱29,359,944

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

The following table summarizes the NOLCO as of December 31, 2016 of the Company and its subsidiaries domiciled in the Philippines:

Period of Recognition	Availment period	Amount	Additions	Applied	Expired	Balance
2013	2014-2016	₱143,626,077	–	(₱23,005,879)	(₱120,620,198)	₱–
2014	2015-2017	107,543,065	–	–	–	107,543,065
2015	2016-2018	159,571,086	–	–	–	159,571,086
2016	2017-2019	–	2,745,898	–	–	2,745,898
		₱410,740,228	2,745,898	(₱23,005,879)	(₱120,620,198)	₱269,860,049

As at December 31, 2016 and 2015, a foreign subsidiary has NOLCO on federal and state income tax purposes of nil and approximately US$3.8 million (₱178.8 million), respectively. No deferred income tax assets were recognized on this NOLCO as its future realizability is not certain.

MCIT

Period of Recognition	Availment period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2013	2014-2016	₱2,327,321	₱–	₱–	(₱2,327,321)	₱–	₱–
2014	2015-2017	1,611,284	–	–	–	(298,660)	1,312,624
2015	2016-2018	919,233	–	–	–	(261,547)	657,686
2016	2017-2019	–	2,774,883	–	–	–	2,774,883
		₱4,857,838	₱2,774,883	₱–	(₱2,327,321)	(560,207)	₱4,745,193

**Adjustment pertains to the unexpired portion of MCIT of APHI*

25. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the parent	**₱1,522,796,705**	₱1,282,782,660	₱2,041,141,959
Weighted average number of shares (Note 19)	**1,232,679,551**	1,244,599,629	1,253,952,678
Earnings per share	**₱1.24**	₱1.03	₱1.63

The Company does not have potentially dilutive common stock equivalents in 2016, 2015 and 2014.

26. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the normal course of business and in addition to those disclosed in Notes 12 and 29, the Group grants/receives cash advances to/from its associates and affiliates.

Compensation of the Group's key management personnel (in millions):

	2016	2015	2014
Short-term employee benefits (Note 21)	**₱165.6**	₱154.7	₱112.0
Post-employment benefits (Note 23)	**8.1**	7.6	7.1
Total	**₱173.7**	₱162.3	₱119.1

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

27. Financial Risk Management Objectives and Policies

The Group'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, price risk of mutual funds, foreign currency risk, copper price risk and operating and regulatory 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 risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2016	2015
Cash in banks	**₱1,803,068,523**	₱1,294,574,992
Short-term investments*	**670,981,773**	477,626,741
FVPL investments - bonds	**744,616,051**	481,184,519
AFS investments - debt instruments	**847,825,052**	907,451,753
	4,066,491,399	3,160,838,005
Loans and receivables:		
Trade	**1,937,863,768**	1,789,754,179
Notes receivable	**32,000,000**	40,000,000
Interest receivable	**21,850,380**	16,498,411
Advances to employees	**14,567,248**	12,374,133
Receivable from villa owners	**11,069,973**	15,960,585
Others	**10,138,583**	12,876,404
	2,027,489,952	1,887,463,712
	₱6,093,981,351	₱5,048,301,717

**Including short term investments amounting to ₱70.5 million under "Other current assets" as of December 31, 2016.*

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 tables below show the credit quality by class of financial asset based on the Group's credit rating system:

	Financial Assets that are Neither Past Due nor Impaired				
2016	**High Grade**	**Standard Grade**	**Past Due but Not Impaired**	**Impaired**	**Total**
Cash in banks	**₱1,803,068,523**	**₱–**	**₱–**	**₱–**	**₱1,803,068,523**
Short-term investments*	**670,981,773**	**–**	**–**	**–**	**670,981,773**
FVPL investments - bonds	**64,101,510**	**680,514,541**	**–**	**–**	**744,616,051**
AFS investments - debt instruments	**14,654,970**	**833,170,082**	**–**	**58,000,000**	**905,825,052**
Receivables:					
Trade	**–**	**1,429,619,823**	**508,243,945**	**63,616,355**	**2,001,480,123**
Notes receivables	**–**	**32,000,000**	**–**	**–**	**32,000,000**
Interest receivable	**–**	**21,850,380**	**–**	**–**	**21,850,380**
Receivable from villa owners	**–**	**11,069,973**	**–**	**–**	**11,069,973**
Advances to employees	**10,766,272**	**3,800,976**	**–**	**–**	**14,567,248**
Others	**3,039**	**9,369,482**	**766,062**	**1,833,158**	**11,971,741**
	₱2,563,576,087	**₱3,021,395,257**	**₱509,010,007**	**₱123,449,513**	**₱6,217,430,864**

**Including short-term investments amounting to ₱70.5 million presented under "Other current assets."*

	Financial Assets that are Neither Past Due nor Impaired				
2015	High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Cash in banks	₱1,294,574,992	₱–	₱–	₱–	₱1,294,574,992
Short-term investments	477,626,741	–	–	–	477,626,741
FVPL investments - bonds	24,747,254	456,437,265	–	–	481,184,519
AFS investments - debt instruments	165,885,612	741,566,141	–	58,000,000	965,451,753

(Forward)

2015	Financial Assets that are Neither Past Due nor Impaired: High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Receivables:					
Trade	₱–	₱1,221,346,395	₱568,407,784	₱70,664,283	₱1,860,418,462
Notes receivables	–	40,000,000	–	–	40,000,000
Interest receivable	–	16,498,411	–	–	16,498,411
Receivables from villa owners	–	15,960,585	–	–	15,960,585
Advances to employees	11,771,382	602,751	–	–	12,374,133
Others	–	12,876,404	–	1,833,158	14,709,562
	₱1,974,605,981	₱2,505,287,952	₱568,407,784	₱130,497,441	₱5,178,799,158

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

Financial assets that are past due but not impaired
The table below shows the aging analysis of past due but not impaired loans/receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Financial Assets that are Past Due but Not Impaired				
Trade and Others	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
December 31, 2016	**₱288,083,008**	**₱130,946,255**	**₱69,093,076**	**₱20,887,668**	**₱509,010,007**
December 31, 2015	323,754,131	148,833,254	68,388,744	27,431,655	568,407,784

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 tables below summarize the maturity profile of the Group's financial liabilities at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2016	**Within 6 months**	**6 to 12 months**	**Over 1 up to 5 years**	**Over 5 years**	**Total**
Cash on hand and with banks	**₱1,803,257,745**	**₱–**	**₱–**	**₱–**	**₱1,803,257,745**
Short-term investments*	**670,981,773**	**–**	**–**	**–**	**670,981,773**
FVPL investments - bonds	**24,300,650**	**9,793,305**	**513,202,670**	**197,319,426**	**744,616,051**
AFS investments - bonds	**–**	**47,728,517**	**472,588,641**	**327,507,894**	**847,825,052**
Receivables**	**1,572,657,610**	**418,575,998**	**24,745,751**	**11,510,593**	**2,027,489,952**
	₱4,071,197,778	**₱476,097,820**	**₱1,010,537,062**	**₱536,337,913**	**₱6,094,170,573**

**Including short-term investment amounting to ₱70.5 million under "Other current assets."*
***Excluding non-financial assets amounting to ₱140.0 million.*

(Forward)

December 31, 2016	**Within 6 months**	**6 to 12 months**	**Over 1 up to 5 years**	**Over 5 years**	**Total**
Notes payable	**₱91,948,200**	**₱–**	**₱–**	**₱–**	**₱91,948,200**
Accounts payable and accrued expenses*	**785,540,886**	**142,462,246**	**–**	**–**	**928,003,132**
Long-term debt	**223,740,000**	**405,610,200**	**1,916,231,143**	**–**	**2,545,581,343**
Dividends payable	**241,914,173**	**294,233**	**–**	**–**	**242,208,406**
	₱1,343,143,259	**₱548,366,679**	**₱1,916,231,143**	**₱–**	**₱3,807,741,081**

**Excluding non-financial liabilities amounting to ₱41.8 million.*

December 31, 2015	Within 6 months	6 to 12 months	Over 1 up to 5 years	Over 5 years	Total
Cash on hand and with banks	₱1,296,692,431	₱–	₱–	₱–	₱1,296,692,431
Short-term investments	477,626,741	–	–	–	477,626,741
FVPL investments -					
Bonds	10,311,599	–	125,731,438	345,141,482	481,184,519
AFS investments -					
Bonds	56,534,651	286,241,765	564,675,337	–	907,451,753
Receivables*	1,727,583,282	130,961,652	28,918,778	–	1,887,463,712
	₱3,568,748,704	₱417,203,417	₱719,325,553	₱345,141,482	₱5,050,419,156

**Excluding non-financial assets amounting to ₱107.1 million.*

Notes payable	₱26,197,832	₱–	₱–	₱–	₱26,197,832
Accounts payable and accrued					
expenses*	726,883,003	34,559,115	125,037,850	–	886,479,968
Long-term debt		638,070,546	2,459,835,814	–	3,097,906,360
Dividends payable	229,648,921	–	–	–	229,648,921
	₱982,729,756	₱672,629,661	₱2,584,873,664	₱–	₱4,240,233,081

**Excluding non-financial liabilities amounting to ₱29.6 million.*

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, foreign currency risk, copper price risk and operating and regulatory 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.

The following table demonstrates management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating debt instrument	**Change in interest rates [in basis points (bps)]**	**Effect on income before tax increase (decrease)**
2016	**+150**	**(₱22.22)**
	-150	**22.22**
2015	+150	(29.73)
	-150	29.73

The sensitivity analysis shows the effect on the consolidated statements of income of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held at December 31, 2016 and 2015. There is no other impact on equity other than those affecting profit and loss.

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.

The table below shows the impact on income before income tax and equity (in millions) of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as AFS.

	Change in	**Increase (Decrease)**	
2016	**interest rates (in bps)**	**Effect on income before tax**	**Effect on equity**
AFS investments	**+100**	**₱–**	**(₱17.89)**
	-100	**–**	**19.11**
FVPL investments	**+100**	**(18.47)**	**–**
	-100	**19.48**	**–**

	Change in	Increase (Decrease)	
2015	interest rates (in bps)	Effect on income before tax	Effect on equity
AFS investments	+100	₱–	(₱19.82)
	-100	–	21.02
FVPL investments	+100	(24.25)	–
	-100	28.36	–

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 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.

The table below shows the impact on income (in millions) before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach.

AFS investments	Change in PSE price index	Increase (Decrease) Effect on income before tax	Effect on equity
2016	**+18.44%**	**₱–**	**₱593.35**
	-18.44%	**–**	**(593.35)**
2015	+34.28%	–	822.25
	-34.28%	–	(822.25)

The annual standard deviation of the PSE price index is approximately 14.73% and 12.04% and with 99% confidence level, the possible change in PSE price index could be +/-18.44% and +/-34.28% in 2016 and 2015, respectively. There are no outstanding stock investments listed in PSE that are classified as FVPL as of December 31, 2016 and 2015.

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.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax and equity (in millions) of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

Mutual funds	Change in NAV	Increase (Decrease) Effect on income before tax	Effect on equity
2016	**+10%**	**₱1.06**	**₱18.20**
	-10%	**(1.06)**	**(18.20)**
2015	+10%	1.01	32.51
	-10%	(1.01)	(32.51)

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, Australian dollar and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Group 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.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax (in millions). It assumes that all other variables remain constant.

2016	**Change in currency rate**	**Effect on income before tax and equity Increase (decrease)**
US Dollar	**+4.41%**	**(₱7.30)**
	-4.41%	**7.30**
Australian Dollar	**+11.40%**	**(₱0.85)**
	-11.40%	**0.85**

2015	Change in currency rate	Effect on income before tax Increase (decrease)
US Dollar	+3.80%	(₱6.41)
	-3.80%	6.41
Japanese Yen	+8.51%	(0.76)
	-8.51%	0.76

e. Copper rod 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. Average monthly purchase of copper rods amounted to ₱275.3 million with an average quantity of about 1,318 metric tons in 2016 and ₱316.3 million with an average quantity of about 1,111 metric tons in 2015.

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 following table represents the effect on income before tax (in millions) of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant:

	% Change in copper rod prices	Effect on income before income tax and equity Increase (decrease)
2016	**+10.80%**	**(₱38.00)**
	-10.80%	**38.00**
2015	+11.13%	(31.58)
	-11.13%	31.58

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, U.S.-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, CMSIS is subject to regulations by the U.S. State Department for the immigration of nurses and temporary work visa of therapists to the U.S. These governmental regulations significantly influence CMSIS' ability to deploy nurses and therapists in the U.S. CMSIS manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the U.S. 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 years ended December 31, 2016 and 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.

28. Financial Instruments

Categorization of Financial Instruments

December 31, 2016	**Loans and Receivables**	**Financial Assets at FVPL**	**AFS Investments**	**Total**
Cash and short-term investments*	**₱2,474,239,518**	**₱–**	**₱–**	**₱2,474,239,518**
FVPL investments	**–**	**769,680,131**	**–**	**769,680,131**
AFS investments	**–**	**–**	**8,361,225,713**	**8,361,225,713**
Receivables**	**2,027,489,952**	**–**	**–**	**2,027,489,952**
	₱4,501,729,470	**₱769,680,131**	**₱8,361,225,713**	**₱13,632,635,314**

**Including short-term investments amounting to ₱70.5 million under "Other current assets."*
*** Excluding non-financial assets amounting to ₱140.0 million*

December 31, 2015	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and short-term investments	₱1,774,319,172	₱–	₱–	₱1,774,319,172
FVPL investments	–	508,976,634	–	508,976,634
AFS investments	–	–	7,415,779,409	7,415,779,409
Receivables*	1,887,463,712	–	–	1,887,463,712
	₱3,661,782,884	₱508,976,634	₱ 7,415,779,409	₱11,586,538,927

** Excluding non-financial assets amounting to ₱107.1 million.*

Other Financial Liabilities	**2016**	2015
Notes payable	**₱91,948,200**	₱26,197,832
Accounts payable and accrued expenses*	**928,003,132**	886,479,968
Dividends payable	**242,208,406**	229,648,921
Long-term debt, including current portion	**2,545,581,343**	3,097,906,360
	₱3,807,741,081	₱4,240,233,081

** Excluding non-financial liabilities amounting to ₱41.8 million and ₱29.6 million in 2016 and 2015, respectively.*

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:

	December 31, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds and convertible note	**₱744,616,051**	**₱744,616,051**	₱481,184,519	₱481,184,519
Funds and equities	**3,345,600**	**3,345,600**	6,352,114	6,352,114
Others	**21,718,480**	**21,718,480**	21,440,001	21,440,001
	769,680,131	**769,680,131**	508,976,634	508,976,634
AFS investments:				
Quoted equity shares	**5,671,746,053**	**5,671,746,053**	5,082,198,801	5,082,198,801
Bonds and convertible note	**847,825,052**	**847,825,052**	907,451,753	907,451,753
Funds and equities	**254,471,051**	**254,471,051**	108,212,393	108,212,393
Proprietary shares	**184,210,323**	**184,210,323**	190,450,322	190,450,322
Unquoted shares	**1,097,757,074**	**1,097,757,074**	861,146,084	861,146,084
	8,056,009,553	**8,056,009,553**	7,149,459,353	7,149,459,353
	₱8,825,689,684	**₱8,825,689,684**	₱7,658,435,987	₱7,658,435,987

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 of December 31, 2016 and 2015, AFS investments amounting to ₱305.2 million and ₱266.3 million, respectively, were carried at cost less impairment 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 tables provide the Group's fair value measurement hierarchy of its assets:

As of December 31, 2016:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Bonds	**₱744,616,051**	**₱744,616,051**	**₱–**	**₱–**
Funds and equities	**3,345,600**	**3,345,600**	**–**	**–**
Others	**21,718,480**	**21,718,480**	**–**	**–**
	769,680,131	**769,680,131**	**–**	**–**
AFS investments:				
Quoted equity shares	**5,671,746,053**	**5,671,746,053**	**–**	**–**
Bonds and convertible note	**847,825,052**	**847,825,052**	**–**	**–**
Funds and equities	**254,471,051**	**254,471,051**	**–**	**–**
Proprietary shares	**184,210,323**	**184,210,323**	**–**	**–**
Unquoted shares	**1,097,757,074**	–	**–**	**1,097,757,074**
	8,056,009,553	**6,958,252,479**	**–**	**1,097,757,074**
	₱8,825,689,684	**₱7,727,932,610**	**₱–**	**₱1,097,757,074**

As of December 31, 2015:

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱481,184,519	₱481,184,519	₱–	₱–
Funds and equities	6,352,114	6,352,114	–	–
Others	21,440,001	21,440,001	–	–
	508,976,634	508,976,634	–	–
AFS investments:				
Quoted equity shares	5,082,198,801	5,082,198,801	–	–
Bonds and convertible note	907,451,753	907,451,753	–	–
Funds and equities	108,212,393	108,212,393	–	–
Proprietary shares	190,450,322	190,450,322	–	–
Unquoted shares	861,146,084	–	–	861,146,084
	7,149,459,353	6,288,313,269	–	861,146,084
	₱7,658,435,987	₱6,797,289,903	₱–	₱861,146,084

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

2016:

	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 ₱346 15%:fair value of ₱348
		Tuition fee increase by 5%	0% to 7%	0%: fair value of ₱329 7%: fair value of ₱374
		Cost of capital of 12%	10% to 14%	10%: fair value of ₱439 13%: fair value of ₱304
KSA	DCF Model	Dividend payout is ₱100.0 million with 5% annual increase	-5% to 10%	-5%: fair value of ₱720 10%: fair value of ₱804
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱842 30%: fair value of ₱655
		Cost of equity of 14%	13% to 15%	13%: fair value of ₱798 15%: fair value of ₱703

2015:

	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 ₱344 15%: fair value of ₱347
		Tuition fee increase by 5%	0% to 5%	0%: fair value of ₱309 5%: fair value of ₱389
		Cost of capital of 14%	12% to 16%	12%: fair value of ₱438 16%: fair value of ₱289
KSA	DCF Model	Dividend payout is ₱60.0 million	-5% to 10%	-5%: fair value of ₱497 10%: fair value of ₱556
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱524 30%: fair value of ₱508
		Cost of equity of 11.5%	10% to 13%	10%: fair value of ₱571 13%: fair value of ₱469

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**
Remeasurement 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**
Remeasurement recognized in OCI	–	–	–
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	**237**	**237**
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2016	**₱345**	**₱753**	**₱1,098**

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

29. Contracts and Agreements

<u>Sutton</u>

a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

   In January 2016, CGI and IQHPC entered into a new Service Agreement where IQPHC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

   As of December 31, 2016 and 2015, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2016, 2015, and 2014 amounted to ₱11.1 million, ₱3.6 million, and ₱3.4 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2016, the lease agreement was renewed for a one-year term ending July 31, 2017.

   The future minimum rentals payable under the non-cancellable operating lease within one year from the balance sheet date amounted to ₱1.9 million and ₱1.7 million as of December 31, 2016 and 2015, respectively.

   The future minimum lease rentals payable under the non-cancellable operating lease within one year from the balance sheet date amounted to ₱1.9 million and ₱1.7 million as of December 31, 2016 and 2015, respectively.

   Rent expense in 2016, 2015 and 2014 amounted to ₱3.0 million, ₱2.8 million, and ₱2.8 million, respectively.

d. In May 2010, CGI entered into a sublease agreement with a third party covering its office space. The sublease has a term of one year ending April 30, 2011 renewable upon mutual agreement of both parties. Upon its maturity, the sublease agreement was renewed for several periods. The extended sublease agreement ended last July 31, 2014.

   In October 2014, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The initial sublease agreement was for a period of eight months until July 15, 2015. At the end of the lease term, the sublease agreement was renewed and extended until June 15, 2016.

   Rent income from the sublease agreement in 2016, 2015 and 2014 amounted to ₱0.4 million, ₱0.7 million, and ₱0.6 million, respectively.

e. In 2014, advances to CGI amounting to ₱6.0 million were assigned to Sutton in exchange for its 948 common shares.

f. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

   Permitted fees are to be invoiced in the following manner:

   - 25% of fee upon signing the contract offer of employment;
   - 50% of fee upon deployment; and
   - 25% of fee upon completion of the probationary 90-day time period at CCAD.

   CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met.

   Service income recognized in 2016, 2015 and 2014 amounted to ₱51.3 million, ₱18.1 million and ₱14.4 million, respectively.

Cirrus

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱2.6 billion, ₱1.9 billion, and ₱1.3 billion in 2016, 2015 and 2014, respectively.

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

   As of December 31, 2016 and 2015, future minimum lease payments associated with these agreements with terms of one year or more are as follows:

	2016	2015
Within one year	**₱9,141,751**	₱9,377,598
After one year but not more than five years	**11,115,307**	20,559,102
	₱20,257,058	₱29,936,700

   Rent expense in 2016, 2015 and 2014 amounted to ₱10.7 million, ₱10.7 million, and ₱10.9 million, respectively.

ASAC

ASAC entered into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term.

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as of December 31, 2016 and 2015 amounted to ₱35.19 million and ₱14.16 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets.

b. IAI conducts its operations from leased facilities which include the aircraft hangar, parking lots and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and is subsequently renewed for another two years upon its termination in 2011, 2013 and 2015. The renewed lease agreement will terminate in August 2017.

   The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱2.9 million in 2016, ₱2.9 million in 2015, and ₱2.8 million in 2014.

SSRLI and PRI

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

   On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a location at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable (see Note 18).

   On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.89 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million.

c. Since 1995, the Company charges SSRLI a monthly fee amounting to US$4,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to SSRLI.

d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 4% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

   Likewise, marketing services and license contracts with AMBV were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues and US$1,000 monthly fee, respectively. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

PRI also executed a Reservation Services Agreement with Hotel Sales Services Ltd. (HSSL) in which PRI will pay the latter a monthly fee of 6.5% of the gross accommodation charges processed through HSSL's central sales and reservation offices, with the exception of bookings made through the global distribution system which cost US$100 per booking. Upon commencement of the service agreement on June 24, 2013, PRI paid an establishment fee of US$1,500. PRI pays annual maintenance fee of US$1,000 to HSSL. The agreement will expire upon the date the hotel is no longer managed by AMBV.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort.

The OMA, marketing and license contracts will expire on June 30, 2018. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration. Total fees related to these agreements amounted to ₱58.0 million, ₱51.8 million, and ₱34.8 million in 2016, 2015, and 2014, respectively.

e. SSRLI has an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all of IAI's operating costs will be covered.

   As a result of the transfer of resort operations from SSRLI to PRI the latest renewal of the air service agreement was made between PRI and IAI covering a three-year period from July 1, 2011 to June 30, 2014. The contract was extended for another three years.

f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years ending September 2013. In 2015, the lease agreement was renewed for another two years. The agreement provides that PRI is not allowed to sublease any part of the leased premises.

   Future minimum annual rentals payable under this lease are as follows:

	2016	2015
Not later than one year	**₱1,727,167**	₱2,590,751
Later than one year but not later than 5 years	**–**	1,727,167
	₱1,727,167	₱4,317,918

   Rent relating to the lease amounted to ₱2.8 million in 2016, ₱2.5 million in 2015, and ₱1.9 million in 2014.

g. On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI. The monthly fee was reduced to ₱0.5 million, exclusive of VAT, from August 1, 2016 until March 21, 2017.

   On December 15, 2016, the agreement with APHI was transferred to AHI.

h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱96.0 million, ₱75.1 million and ₱57.2 million in 2016, 2015 and 2014, respectively, and presented as "Services revenue" in the consolidated statements of income.

As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As of December 31, 2016 and 2015, the restricted fund amounted to ₱85.3 million and ₱87.2 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 15).

i. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

   On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of five years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter. Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was increased to ₱42.8 million.

   Future minimum lease payments under these lease agreements as of December 31 are as follows:

	2016	2015
Within one year	**₱42,800,000**	₱42,800,000
After one year but not more than five years	**171,200,000**	171,200,000
More than five years	**406,600,000**	449,400,000
	₱620,600,000	₱663,400,000

j. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and post-construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2016, 2015 and 2014, SSRLI recognized handling fee, included under "Services revenue" account which amounted to ₱7.6 million, ₱56.5 million and ₱17.7 million, respectively.

k. In 2015, SSRLI redeemed Class A preferred stock of 117,080,330 shares and Class B preferred stock of 82,919,670 shares amounting to ₱200.0 million.

l. SSRLI enters into memorandum of agreements with the buyers of villa. Total deposits amounted to nil and ₱597.3 million as of December 31, 2016 and 2015, respectively. These are presented as "Customers' deposit for property development" in the consolidated balance sheets. In 2016 and 2015, two villas and a villa were sold and generated gain on sale amounting to ₱331.0 million and ₱113.0 million, respectively.

m. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2016 and 2015, total property development in progress amounted to ₱3.2 million and ₱175.8 million. These pertain to projects that are to be completed within one year and are, thus, presented as current assets.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱20.8 million and ₱15.2 million (eliminated in the consolidated financial statements) as of December 31, 2016 and 2015, respectively (see Notes 9 and 26). Management fees amounted to ₱88.3 million, ₱71.0 million and ₱62.2 million (eliminated in the 2016 and 2015 consolidated financial statements) in 2016, 2015 and 2014, respectively.

b. Beginning January 2004, PDP Energy entered into a technical assistance contract with Phelps Dodge International Corporation which provides an annual payment of technical fees amounting to a certain percentage of audited income before tax (VAT inclusive). There are no technical fees starting 2015. Technical fees amounted to ₱57.7 million in 2014. These are included in "Management fee" in the 2014 consolidated statement of income. On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with General Cable Corporation (GCC). The agreement provides that GCC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

c. In 2008, PDP Energy entered into a contract of lease with a third party covering the lease of its office building. The contract is for a two year lease period and renewable at the option of both parties. The contract ended in 2013 and was no longer renewed. In line with this, PDP Energy entered into a contract of lease with another third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties.

   The future aggregate minimum lease payments under the new operating lease are as follows:

	2016	2015
Not later than 1 year	**₱6,577,643**	₱6,533,374
More than 1 year but not later than 5 years	**3,766,386**	10,344,029
	₱10,344,029	₱16,877,403

d. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GCTC) wherein GCTC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GCI) which provides, among others, the exclusive distributor, reseller and representative for the sale of GCI products to customers within the Philippines.

30. **Other Matters**

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2016, the refund process has remained pending.

ASAC recognized accruals amounting to ₱1.1 million as of December 31, 2016 and 2015 for the Concessionaire's Privilege Fees which covers the subleasing that the MIAA is set to bill ASAC.

b. ASAC is a defendant in labor lawsuits and claims. As of December 31, 2016 and 2015 management has recognized provisions for losses amounting to ₱5.7 million (see Note 17) that may be incurred from these lawsuits.

c. IAI has a pending lease contract renewal with MIAA as of December 31, 2016.

d. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in their normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2016 and 2015, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

e. On April 20, 2016, the BOD and stockholders of the CMSIS authorized the re-acquisition of its own 28 common stocks for a total purchase price amounting to US$0.2 million.

31. Subsequent Event

On February 22, 2017, Anscor's BOD approved the declaration of cash dividends amounting to ₱500.0 million (₱0.20 per share) to stockholders of record as of March 9, 2017, which will be paid on April 4, 2017.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and Subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated February 22, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908742, January 3, 2017, Makati City

February 22, 2017

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
FVPL INVESTMENTS				
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BS-Agricola Senior Trust 6.75% 180620-USD	$ 300,000	15,065,160	15,065,160	1,140,617
BS-Agromercantil SR 6.25% 100419-USD	$ 300,000	15,307,545	15,307,545	976,747
BS-Banco Bilbao Vizcaya ARG 9% 290549 Perp-USD	$ 200,000	10,341,760	10,341,760	590,173
BS-Banco Do Brasil(Cayman) 9% 311249 Perp-USD	$ 300,000	14,024,769	14,024,769	5,281,806
BS-Braskem Finance Ltd 6.45% 030224-USD	$ 300,000	15,587,220	15,587,220	3,864,110
IA-Cemex Finance Europe 4.75% 050314-USD	$ 300,000	15,232,965	15,232,965	3,267,829
BS-China Oil 5.25% 250418-USD	$ 300,000	15,378,396	15,378,396	1,822,948
BS-Citigroup Inc 5.875% 291249 Perp-USD	$ 500,000	25,108,600	25,108,600	1,927,457
BS-Ecopetrol SA 5.375% 260626-USD	$ 300,000	14,841,420	14,841,420	(29,588)
BS-Esal GMBH 6.25% 050223-USD	$ 300,000	14,916,000	14,916,000	2,532,420
BS-First Gen Corporation 6.5% 091023-USD	$ 400,000	21,255,300	21,255,300	1,696,897
BS-Global Prime Capital 5.5% 181023-USD	$ 300,000	15,009,225	15,009,225	449,644
BS-JPMorgan Chase 7.9% 300449 callable 300418-	$ 500,000	25,730,100	25,730,100	2,318,745
BS-Meiji Yasuda Life Insurance 5.21% 201045-USD	$ 300,000	15,288,900	15,288,900	772,222
BS-Mersin Ulus Liman 5.875% 120820-USD	$ 250,000	12,958,275	12,958,275	915,235
BS-Millicom Int'l Cellular 4.75% 220520-USD	$ 200,000	10,094,154	10,094,154	126,251
BS-Myriad Intl Holdings (MIH) BV 5.5% 210725-	$ 300,000	15,009,225	15,009,225	1,055,371
BS-Petronas Global Finance 4.875% 170320-USD	$ 200,000	9,784,399	9,784,399	2,773,278
BS-Petronas Intl Finance Co 5.375% 270121-USD	$ 300,000	14,311,902	14,311,902	3,962,796
BS-Petroleos Mexicanos 3.5% 230720-USD	$ 200,000	9,670,540	9,670,540	(10,690)
BS-RBS 13.125% 190322-AUD	AUD 290,000	10,548,733	10,548,733	497,892
BS-Royal Capital 5.5% 291249 Perp-USD	$ 785,000	36,054,147	36,054,147	(1,250,687)
BS-Samvardhana Motherson AU 4.875% 161221-	$ 300,000	14,878,710	14,878,710	338,803
BS-Societe Generale 6.00% 311249 Perp	$ 200,000	8,924,740	8,924,740	247,325
BS-TBG Global PTE 4.625% 030418-USD	$ 300,000	15,087,534	15,087,534	1,228,143
BS-Telfonica Celuar 6.75% 131222-USD	$ 300,000	15,378,396	15,378,396	1,914,569
BS-Theta Capital PTE Ltd 7% 110422-USD	$ 300,000	15,311,274	15,311,274	2,247,031
BS-Tupy S/A 6.625% 170724-USD	$ 300,000	14,916,000	14,916,000	1,173,011
BS-Vale Overseas Limited 4.625% 150920-USD	$ 300,000	15,139,740	15,139,740	3,334,452
BS-Wachovia Cap. Trust III 5.56975% 290349-USD	$ 500,000	24,300,650	24,300,650	1,655,378
BPI-EDC 2021 6.5% 012021-USD	$ 2,420,000	133,106,655	133,106,655	6,859,062
BPI-ICTSI Perp 6.25% 050519-USD	$ 440,000	22,618,205	22,618,205	896,027
BPI-PCOR-Perp 7.50% 08/06/18	$ 1,421,000	73,560,161	73,560,161	(1,243,790)
BPI-SMCG-Perp 7.50% 11/07/19-USD	$ 561,000	29,082,274	29,082,274	586,342
BPI(ASF)-Globe Binds 4.60% 090117-PHP	PHP 1,500,000	1,519,785	1,519,785	51,065
BPI(ASF)-Globe Bond 3.91% 071720-PHP	PHP 1,000,000	999,672	999,672	11,813
BPI(ASF)-Petron Cor 7.00% 111017-PHP	PHP 8,000,000	8,273,520	8,273,520	739,840
		744,616,051	**744,616,051**	**54,720,544**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BPI(ASF)-MM UTF (Trust Fund)-PHP	1,161	269,956	269,956	14,189
BPI(ASF)-PEIF UITF-PHP	33,802	3,075,644	3,075,644	(372,344)
		3,345,600	**3,345,600**	**(358,155)**
OTHERS	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BPI(ASF)-Arthaland Corporation Pref B(ALCPB)-Peso	2,300	235,980	235,980	
BPI(ASF)-Ayala Corp. Pref. B-Peso	-	130,000	130,000	(49,688)
Ayala Corp. Preferred B1-Peso	15,000	8,167,500	8,167,500	765,938
BPI(ASF)-fgen Pref 8% 7.25.18-PHP	45,000	5,085,000	5,085,000	270,000
BPI(ASF)-Globe Preferred-Php	15,000	8,100,000	8,100,000	380,045
		21,718,480	**21,718,480**	**1,366,295**
TOTAL - FVPL INVESTMENTS		**769,680,131**	**769,680,131**	**55,728,684**
AFS INVESTMENTS				
QUOTED EQUITY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Aboitiz Power Corporation	8,299,970	346,108,749	346,108,749	16,838,160
Bloomberry Resorts Corporation	63,403,200	389,929,680	389,929,680	-
Century Pacific Food, Inc.	5,493,800	88,889,684	88,889,684	80,000
Cemex Holdings	10,145,881	112,619,279	112,619,279	-

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
D&L Industries, Inc.	2,769,997	31,577,966	31,577,966	-
I C T S I	30,002,030	2,158,646,058	2,158,646,058	27,210,847
iPeople, Inc.	82,306,980	1,027,191,110	1,027,191,110	20,477,391
Manila Water Company, Inc.	3,457,500	100,267,500	100,267,500	831,858
Metro Pacific Investment Corp	16,583,800	110,448,108	110,448,108	217,405
Max's Group, Inc.	2,605,400	65,135,000	65,135,000	224,351
Megawide	45,020,730	666,306,804	666,306,804	-
Metro Retail Stores Group	14,287,000	57,862,350	57,862,350	-
Petron Corporation	42,934,521	427,198,484	427,198,484	6,090,640
Robinson's Retail Holdings, Inc	1,147,390	85,193,708	85,193,708	63,000
SUTTON-ACMDC	608	6,202	6,202	-
ANSCORCON-PLDT Preferred	400	168,540	168,540	-
ANSCORCON-Meralco	636	4,368	4,368	-
ANSCORCON-ACMDC	840,173	4,192,463	4,192,463	-
		5,671,746,053	**5,671,746,053**	**72,033,652**
UNQUOTED EQUITY SHARES	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
ATRAM Investment Mngt Partners Corp.	-	37,500,000	37,500,000	-
Central Azuc dela Carlot	271	780	780	-
Enderun Colleges, Inc.	16,216,217	344,709,917	344,709,917	21,851,351
K S A Realty Inc	-	752,922,632	752,922,632	114,237,366
Manila Peninsula Hotels,Inc.	265,000	2,444,945	2,444,945	-
Medical Doctors, Inc.	790	79,000	79,000	208,507
PLDT Co - Pref	1,200	12,600	12,600	-
Realty Investment Inc	120,000	32,500	32,500	90,000
Direct Hotel	153,749	42,465,167	42,465,167	-
Tech Venture	-	103,772,723	103,772,723	-
Navegar 1 GP Ltd (Citco)	-	32,022,972	32,022,972	-
AI-Ym Abs	-	87,010,000	87,010,000	-
		1,402,973,236	**1,402,973,236**	**136,387,224**
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BS-ABJA Investment Co(Tata Steel) 5.95% 310724-	$ 200,000	9,769,980	9,769,980	553,331
BS-African Export Bank 4.00% 240521-USD	$ 300,000	14,654,970	14,654,970	269,913
BS-Banco Nal Costa Rica 5.875% 250421-USD	$ 300,000	15,132,282	15,132,282	571,548
BS-Caixa Economica Federal 4.5% 031018-USD	$ 300,000	15,027,870	15,027,870	46,941
FPC Treasury Ltd 4.5% 160423-USD	$ 300,000	14,841,420	14,841,420	535,938
BS-Gazprom (Gaz Capital SA) 4.95% 190722-USD	$ 300,000	15,344,835	15,344,835	802,878
BS-Gazprom (GPN CAP) 4.375% 190922-USD	$ 300,000	14,811,588	14,811,588	780,248
BS-KOC Holdings AS 3.5% 240420-USD	$ 200,000	9,782,410	9,782,410	34,941
BS-Kuwait Projects Co 5% 150323-USD	$ 280,000	14,110,238	14,110,238	525,234
BS-MTN Mauritius Investment 4.755% 111124-USD	$ 300,000	13,610,850	13,610,850	465,910
BS-MTS International Funding Ltd 5%-USD	$ 200,000	10,192,600	10,192,600	553,123
BS-Megaworld Corporation 4.25% 170423-USD	$ 300,000	14,807,113	14,807,113	254,294
BS-National Savings Bank 5.15% 100919-USD	$ 300,000	14,729,550	14,729,550	702,441
BS-Norddeutsche LandesBank 6.25% 100424-USD	$ 400,000	18,421,260	18,421,260	1,188,190
BS-Office Cherifien Des PHO 5.625% 250424-USD	$ 300,000	15,232,816	15,232,816	764,221
BS-PLA Administradora Indus 5.25% 101122-USD	$ 300,000	14,338,751	14,338,751	378,332
BS-Turkcell LLestisim Hizmetleri 5.75%151025-USD	$ 300,000	14,393,940	14,393,940	817,924
BS-Turkiye IS Bankasi AS 5% 250621-USD	$ 200,000	9,449,087	9,449,087	448,733
BS-VTB Bank(VTB Capital) 6.95% 171022-USD	$ 200,000	10,702,230	10,702,230	627,955
BS-Vimpelcom Holdings 5.95% 130223-USD	$ 300,000	15,475,350	15,475,350	520,507
BS-Yapi Ve Kredi Bankasi 5.5% 061222-USD	$ 300,000	13,647,842	13,647,842	874,134
IPAlliance Global Group 6.5% 180817-USD	$ 500,000	25,470,313	25,470,313	1,487,913
BPI-FIRPACM 6.00% 06/28/19-USD	$ 1,910,000	99,283,268	99,283,268	4,069,028
BPI-FIRPACM 4.50% 041623-USD	$ 1,000,000	49,358,536	49,358,536	2,548,147
IP-ICTSI 7.375% 031120-USD	$ 1,545,000	86,309,726	86,309,726	4,408,654
BPI-ICTSIM 4.63% 01/16/23-USD	$ 1,241,000	62,348,546	62,348,546	1,226,207
BPI-SECB-BNDM 3.95% 020320-USD	$ 500,000	25,792,250	25,792,250	937,924
BPI-SMIC-BNDM 4.25% 101719	$ 1,750,000	89,133,044	89,133,044	3,191,324
IP-SMIC 5.5% 131017-USD	$ 438,000	22,258,204	22,258,204	1,339,859
BPI(ASF)-Manila North 4.06% 33114-PHP	PHP 380,000	388,146	388,146	14,128
BPI(ASF)-PSB-USN 4.40% 08/23/24-PHP	PHP 1,000,000	1,000,000	1,000,000	44,000

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
BPI(ASF)-RCBC-USN 4.30% 9/27/24-PHP	PHP 5,100,000	5,100,000	5,100,000	219,300
BPI(ASF)-SMIC Bond 4.24% 05/19/21-PHP	PHP 10,000,000	10,000,000	10,000,000	423,664
SKI Construction Group, Inc.	140,906,037	82,906,037	82,906,037	-
		847,825,052	**847,825,052**	**31,626,885**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Rohatyn Global (class B & S2)	-	646,395	646,395	
IA-Ascendas India Dev'e Trust-SGD	600,000	8,664,125	8,664,125	2,262,560
BS-BGF-Global Multi Asset Income Fund-USD	47,939	22,857,853	22,857,853	1,272,246
BS-Invesco US Senior Loan Fund-USD	11,227	49,971,197	49,971,197	-
BS-Ishares JPM USD EM BOnd UCITS ETF-USD	26,000	141,488,204	141,488,204	1,576,446
BS-Lloyds Banking Group PLC-GBP	130,000	6,177,910	6,177,910	243,700
BS-Longlobal-Singapore Dividend Equity Fund-SGD	312,194	9,673,980	9,673,980	-
BS-PIMCO Funds Ireland PLC-Cap Sec Fund E-USD	29,674	14,665,187	14,665,187	490,589
MS-UBS USD Autocallable Stk-USD	-	266,500	266,500	-
AHI-PLDT Series Y 10% Cumm. Pref.	4,200	46,452	46,452	-
AHI-PLDT Series BB 10% Cumm. Pref.	1,200	13,248	13,248	-
		254,471,051	**254,471,051**	**5,845,541**
PROPRIETARY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Canlubang Golf & Country Club	2	1,800,000	1,800,000	-
Celebrity Sports Plaza	1	150,000	150,000	-
Fuego Development Corporation	1	803,250	803,250	-
Manila Golf & Country Club	2	159,000,000	159,000,000	-
Matabungkay Beach Resort	1	15,000	15,000	-
Metropolitan Club	1	275,000	275,000	-
Orchard Golf & Country Club	1	100,000	100,000	-
Ridge Country Club	1	10,000	10,000	-
Sta Elena Properties'A'	3	9,600,000	9,600,000	-
Valle Verde Country Club	1	400,000	400,000	-
PLDT	10,708	119,071	119,071	-
Makati Medical Center	300	5,000	5,000	-
Orchards Golf Club "A"	1	150,000	150,000	-
Alabang Country Club "A"	2	7,600,000	7,600,000	-
Club Filipino	1	170,000	170,000	-
Cresta Del Mar	1	68,000	68,000	-
Makati Sports Club "A"	1	400,000	400,000	-
Philippine Village Resort	1,000	5,000	5,000	-
Valle Verde Country Club	3	1,200,000	1,200,000	-
Valley Golf Club	1	200,000	200,000	-
Manila Southwoods "A"	1	950,000	950,000	-
Puerto Azul	1	80,000	80,000	-
Alta Vista De Cebu (Vistamar)	1	300,000	300,000	-
Camp John Hay	2	260,000	260,000	-
Tagaytay Midlands Golf Club, Inc.	1	550,000	550,000	-
		184,210,321	**184,210,321**	**-**
TOTAL - AFS INVESTMENTS		**8,361,225,713**	**8,361,225,713**	**245,893,302**
GRAND TOTAL - FINANCIAL ASSETS		**9,130,905,844**	**9,130,905,844**	**301,621,986**

Note 1 This account consists of investments that are designated as AFS, FVPL and held-for-trading investments.

Note 2 This column includes interest income, dividends and unrealized gain/loss in market value of FVPL investments charged to income in 2016

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2016

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
ONG, Joseph	-	812,733	73,533	-	739,200	739,200
SUMANG, Nilo	-	789,078	98,635	690,444	-	690,444
LACANILAO, Ephraim	-	789,078	98,635	690,444	-	690,444
LEGASPI, Jason	595,302	-	74,413	520,890	-	520,890
MANALO, Emilio	493,568	-	-	-	493,568	493,568
FABELLO, Patrick	-	528,078	66,010	462,068	-	462,068
CUNANAN, Edcell	289,843	521,611	355,143	456,310	-	456,310
BUSALPA, Jerald	289,843	521,611	355,143	456,310	-	456,310
CAGUITLA, Emmanuel	527,248	-	121,477	-	405,771	405,771
RIVERA, Ariel	409,168	-	74,912	-	334,256	334,256
NAVARRA, Sammy	272,139	-	-	272,139	-	272,139
GUEVARRA, Bryan	483,644	-	290,186	193,457	-	193,457
ROLLOM, Edwin	481,194	-	288,716	192,477	-	192,477
SYJUCO, Mike	490,697	-	327,131	163,565	-	163,565
EVANS, Dave	488,474	-	325,650	162,825	-	162,825
VILLAFLOR, Nancie M.	2,661	270,888	127,791	145,758	-	145,758
SONZA, Arlene	137,853	-	-	137,853	-	137,853
REYES, Rosalina	93,951	181,029	151,948	123,031	-	123,031
LIGUATON, Leah	-	844,086	721,516	122,571	-	122,571
BUHION, Salome M.	80,113	86,293	46,570	119,836	-	119,836
LACSINA, Jeffrey	41,667	152,579	97,239	97,007	-	97,007
OROZCO, Emelinda P.	22,277	102,400	28,509	96,168	-	96,168
CANLAS Ranillo	20,000	100,000	26,250	93,750	-	93,750
DANJALA, Arnel	195,360	-	105,160	-	90,200	90,200
ESGUERRA, Anthony	174,670	-	88,395	86,275	-	86,275
AGUSTIN Oscar	12,500	84,000	12,500	84,000	-	84,000
LEGASPI, Jason	64,000	205,000	189,000	80,000	-	80,000
NOTO, Joseph	67,500	70,000	67,500	70,000	-	70,000
AYRO Jensyl	18,708	100,000	50,653	68,056	-	68,056
COBARIA, Joselito	21,376	70,000	25,987	65,389	-	65,389
FERNANDEZ, Analyn	25,700	50,000	12,256	63,444	-	63,444
PENULLAR, Benigno	89,996	215,326	242,354	62,968	-	62,968
BALANDITAN, Walter	27,500	65,000	30,700	61,800	-	61,800
FLORES Jr., Vicente	-	70,000	11,099	58,901	-	58,901
NUNAG, Joemark	30,000	50,000	22,500	57,500	-	57,500
CASTRO, Joshua	37,370	58,286	39,170	56,486	-	56,486
LUNDANG, Luisito	2,083	80,000	28,194	53,889	-	53,889
POLINTAN, Renato	41,833	50,000	38,083	53,750	-	53,750
BERINGUEL, Vivian	23,292	50,000	20,667	52,625	-	52,625
ASUNCION, Aubrey	-	70,000	17,500	52,500	-	52,500
ALFONSO Reymon	2,000	50,000	2,000	50,000	-	50,000
CABUSAO Joel	29,166	50,000	29,166	50,000	-	50,000
DELA PENA, John Ralou	-	50,000	-	50,000	-	50,000
EQUIZ, Willy	7,500	50,000	7,500	50,000	-	50,000
JARDIN, Christian	47,500	50,000	47,500	50,000	-	50,000
LABAY, Veronica	32,053	50,000	32,053	50,000	-	50,000
DELA CRUZ Vernon John	14,083	50,000	14,806	49,278	-	49,278
Jerald Busalpa	-	62,000	13,750	48,250	-	48,250
SEVILLANO, Julius	-	50,000	2,083	47,917	-	47,917
MONSANTO, Grazilde	13,333	50,000	15,833	47,500	-	47,500
GINESE, Pedrally	15,000	50,000	17,778	47,222	-	47,222
RAMOS, Mario	16,667	50,000	19,444	47,222	-	47,222
TUMANG Joenar	14,583	50,000	17,360	47,222	-	47,222
SANTIAGO, Chevy	299,017	309,674	561,748	46,943	-	46,943
ILARINA, Jeric	-	50,000	4,167	45,833	-	45,833
DEZA Joel	6,166	50,000	10,333	45,833	-	45,833
VILLANUEVA, Enrico	3,968	50,000	8,262	45,706	-	45,706
TAYAG, Ramiel	6,370	50,000	11,370	45,000	-	45,000
GAPAY, Gayford	26,250	50,000	31,806	44,444	-	44,444
Patrick Fabello	39,000	91,000	86,100	43,900	-	43,900
CARDENAS, Rhizza	15,369	50,000	21,494	43,875	-	43,875
ASIS, Joanalyn	15,750	50,000	22,536	43,214	-	43,214
CLAVEL Omar	59,416	50,000	66,361	43,056	-	43,056

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2016

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
ASIO Delmar	20,000	50,000	27,500	42,500	-	42,500
PEREGRINO, Ricardo	8,750	50,000	16,528	42,222	-	42,222
BATENGA Raymund	30,000	50,000	39,722	40,278	-	40,278
CLAVERIA Rolando	26,667	50,000	36,389	40,278	-	40,278
CUREG Joferson	17,500	50,000	27,222	40,278	-	40,278
ESCOTO Erwin	23,500	50,000	33,222	40,278	-	40,278
DEPANTE, Susan C.	-	40,000	-	40,000	-	40,000
GALANG Joseph	-	50,000	10,000	40,000	-	40,000
RESMA, Mark	187,250	50,000	197,497	39,753	-	39,753
SANTOS, Claudine N.	33,920	211,676	205,934	39,662	-	39,662
FLORES, Rommel	25,000	50,000	36,111	38,889	-	38,889
MACAPAGAL James D	-	50,000	11,111	38,889	-	38,889
CERVANTES, Carissa	-	50,000	11,200	38,800	-	38,800
PEREZ, Joseph	17,953	50,000	29,153	38,800	-	38,800
NGOHO, Ella Mae	-	50,000	12,500	37,500	-	37,500
LAYUG, Samuel	16,778	50,000	29,278	37,500	-	37,500
NUNAG, Ronaldo	35,833	50,000	48,333	37,500	-	37,500
MUERTEGUE, Salve	11,250	50,000	24,250	37,000	-	37,000
NUNEZ, Jervie	-	50,000	13,611	36,389	-	36,389
MENDOZA, Ricky	28,750	50,000	42,361	36,389	-	36,389
BALAGTAS Victoria	21,666	50,000	35,555	36,111	-	36,111
CARATIQUIT Kent Darien	-	50,000	13,889	36,111	-	36,111
CUTIONGCO, Hazel B.	71,847	51,200	87,085	35,963	-	35,963
CAPAN Danilo	20,000	50,000	34,583	35,417	-	35,417
BUNDALIAN Raymond	-	50,000	15,278	34,722	-	34,722
LEE, Ismael	18,000	50,000	33,278	34,722	-	34,722
MARTINEZ, Joel	5,533	50,000	20,811	34,722	-	34,722
LUMIBAO, Rhea	21,667	50,000	37,500	34,167	-	34,167
CUEVAS Jonathan	-	50,000	16,667	33,333	-	33,333
FRANCISCO, Dianne Rose	-	50,000	16,672	33,328	-	33,328
AGUAS Eduard Jon	16,667	50,000	34,722	31,944	-	31,944
ESPINO, Cristobal	22,500	50,000	40,556	31,944	-	31,944
MALLARI, Richard Felix	28,750	50,000	46,806	31,944	-	31,944
OCAMPO, Reichel	10,833	50,000	28,889	31,944	-	31,944
SALAZAR, Juan	8,750	50,000	26,950	31,800	-	31,800
ACUZAR, Michael	50,731	135,000	154,064	31,667	-	31,667
CAPIT Ariel	22,500	50,000	41,250	31,250	-	31,250
LACTAOTAO, Sander	28,750	50,000	48,194	30,556	-	30,556
RUBIANO, Jay Martin	15,000	50,000	34,444	30,556	-	30,556
TARING, Ghemar	18,556	50,000	38,000	30,556	-	30,556
CALEJESAN, Yhellen	-	50,000	19,445	30,555	-	30,555
GUTIERREZ, Bernadette	13,750	50,000	33,750	30,000	-	30,000
CRESENCIA Rowena	18,100	50,000	38,211	29,889	-	29,889
BRUNO, Rachel	20,000	50,000	40,278	29,722	-	29,722
MANALOTO, Joven	60,000	50,000	80,500	29,500	-	29,500
PEDROSA, Jay	18,333	50,000	39,167	29,167	-	29,167
OLIDAR, Allan	54,167	50,000	75,083	29,083	-	29,083
DUNGAO, Anita	21,610	50,000	42,610	29,000	-	29,000
REYES. Joseph Albert	88,213	50,000	109,324	28,889	-	28,889
DIAZ Michael	21,583	50,000	42,861	28,722	-	28,722
PACHECO, Jesser	23,750	50,000	45,320	28,430	-	28,430
HIPOS, Annabellee G.	63,388	94,900	129,900	28,388	-	28,388
GUTIERREZ, Jennifer	12,333	50,000	35,944	26,389	-	26,389
MANIAGO, Paul Christian	-	50,000	24,328	25,672	-	25,672
CORNEZ, Jay	7,150	50,000	31,650	25,500	-	25,500
SAHAGUN Joel	14,167	50,000	38,806	25,361	-	25,361
PEREZ, Bladimer	34,167	50,000	59,167	25,000	-	25,000
DEL ROSARIO, Mercedes	-	70,000	45,000	25,000	-	25,000
ESTRELLA, Jason	28,037	50,000	53,037	25,000	-	25,000
GATPO, Cesar	47,030	70,000	92,030	25,000	-	25,000
MAGBAG, Jane	24,000	50,000	50,000	24,000	-	24,000
BANIQUED Rustan	14,167	50,000	40,556	23,611	-	23,611
PELEGRINO, Simeon	-	23,444	-	23,444	-	23,444

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2016

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
GRANADOZIN, Rubben	11,958	50,000	38,819	23,139	-	23,139
GUTIERREZ, Manrico	10,450	50,000	37,950	22,500	-	22,500
FIGUEROA Jimmy	16,667	50,000	44,444	22,222	-	22,222
SANTOS, Jonathan	25,000	50,000	53,444	21,556	-	21,556
VERGARA, Loui	12,916	50,000	41,472	21,444	-	21,444
DAGDAG, Michael	-	50,000	29,167	20,833	-	20,833
GUEVARRA, Marlon	-	50,000	29,167	20,833	-	20,833
MENDOZA, Wendell	30,000	50,000	59,167	20,833	-	20,833
PERALTA, Sheryl	12,500	50,000	41,667	20,833	-	20,833
SUMALE, Jovy	-	50,000	29,333	20,667	-	20,667
TOLENTINO, Angelito	8,861	50,000	38,472	20,389	-	20,389
SANTOS, Jeffrey	-	50,000	30,000	20,000	-	20,000
JIMENEZ, Victor	12,333	50,000	42,500	19,833	-	19,833
DELA CRUZ, Mark David	-	50,000	30,500	19,500	-	19,500
BAIS, Alejandro	-	50,000	30,800	19,200	-	19,200
Ren Laxamana	19,100	-	-	19,100	-	19,100
ABUY Deuel	25,833	50,000	57,778	18,056	-	18,056
BENITEZ Napoleon	12,200	50,000	44,144	18,056	-	18,056
CANLAS Michael	-	50,000	31,944	18,056	-	18,056
DIZON Hilnes	5,500	50,000	37,445	18,056	-	18,056
MABUNGA John Dalton	-	50,000	31,944	18,056	-	18,056
OCAMPO, Gerald	12,499	50,000	44,444	18,056	-	18,056
VICTORIANO, Ricardo	14,033	100,000	96,255	17,778	-	17,778
MATEO, Dante	-	50,000	32,222	17,778	-	17,778
BAIS Arnold	50,833	50,000	83,167	17,667	-	17,667
HAPIN, Rina M.	-	930,999	913,358	17,641	-	17,641
FALCO, Beltran	18,480	6,015	7,075	17,420	-	17,420
LUZANO, Robertson	23,125	50,000	56,458	16,667	-	16,667
GADEN, Nicanor	25,000	50,000	58,333	16,667	-	16,667
ALCIBAR Michael	1,778	50,000	35,111	16,667	-	16,667
DE GUZMAN Jerry	12,500	50,000	45,833	16,667	-	16,667
QUIBALLO, Rhandel	23,750	50,000	57,083	16,667	-	16,667
SALVADOR, Rennier	16,367	50,000	49,700	16,667	-	16,667
SANTOS, Valentino	9,889	50,000	43,222	16,667	-	16,667
PASION, Albert	-	50,000	33,778	16,222	-	16,222
TACANAY, Edward	3,444	50,000	38,167	15,278	-	15,278
SABANDO, Albert	-	15,000	-	15,000	-	15,000
SUCALDITO, MARK	-	50,000	35,000	15,000	-	15,000
TUCAQUI, Loreto	30,000	50,000	65,000	15,000	-	15,000
PANELO, Rolando	21,250	50,000	56,667	14,583	-	14,583
MAGAWAY, Pedro	22,500	50,000	58,194	14,306	-	14,306
DONATO Jose	60,000	50,000	96,667	13,333	-	13,333
GANNABAN, Benjie	-	50,000	37,333	12,667	-	12,667
JUGO, Reden	32,000	50,000	69,500	12,500	-	12,500
VALERIO, Janette M.	20,680	192,000	200,200	12,480	-	12,480
CADIANG Jessie	15,000	50,000	53,611	11,389	-	11,389
VELASCO, Andrew	33,198	50,000	73,197	10,000	-	10,000
EZTENDER, Aubrey	-	50,000	40,000	10,000	-	10,000
DOMOGMA, Aileen	-	50,000	40,000	10,000	-	10,000
Others	3,561,720	5,692,600	6,971,875	2,282,445	-	2,282,445
TOTAL	12,374,928	20,982,586	18,790,267	12,504,253	2,062,995	14,567,248

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Name and Designation of Debtor	Balance at Beginning of Period	Additions: Newly Consolidated Subsidiaries	Additions: Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Transactions: Nature	Transactions: Amount	Terms: Interest Rate	Terms: Payment Terms	Terms: Others
A. SORIANO CORPORATION RECEIVABLES FROM ITS SUBSIDIARIES												
Ansco Property Holdings, Inc.	270,184	-	23,924,773	24,194,957	-	-	-	working capital	23,924,773		non-interest bearing	
Anscor Holdings, Inc.	-	256,932,545	-	-	256,932,545	-	256,932,545	working capital & investments	256,932,545		non-interest bearing	
Akapulko Holdings, Inc.	-	99,542	-	-	99,542	-	99,542	working capital	99,542		non-interest bearing	
Lakeroad Corporation	-	13,052		-	13,052	-	13,052	working capital	13,052		non-interest bearing	
Mainroad Corporation	-	13,462	-	-	13,462	-	13,462	working capital	13,462		non-interest bearing	
Makatwiran Holdings, Inc.	-	130,022	-	-	130,022	-	130,022	working capital	130,022		non-interest bearing	
Makisig holdings, Inc.	-	141,376	-	-	141,376	-	141,376	working capital	141,376		non-interest bearing	
Malikhain Holdings, Inc.	-	122,679	-	-	122,679	-	122,679	working capital	122,679		non-interest bearing	
Mountainridge Corporation	-	13,462	-	-	13,462	-	13,462	working capital	13,462		non-interest bearing	
Rollingview Corporation		13,462	-	-	13,462	-	13,462	working capital	13,462		non-interest bearing	
Summerside Corporation	-	13,052	-	-	13,052	-	13,052	working capital	13,052		non-interest bearing	
Seven Seas Resorts & Leisure Inc.	132,116	-	633,321	571,393	194,044	-	194,044	working capital	633,321		non-interest bearing	
Pamalican Resorts Inc.	519,522	-	8,511,016	8,868,602	161,936	-	161,936	management fee & others	8,511,016		non-interest bearing	management fee amounting to $15,000/month
A. Soriano Air Corporation	5,002,306	-	13,000,000	10,000,000	8,000,000	2,306	8,002,306	working capital	13,000,000		non-interest bearing	
A. Soriano Aviation Inc.	(70,750)	-	-	661	-	(71,411)	(71,411)	working capital	-		non-interest bearing	
Sutton Place Holdings, Inc.	316,239	-	-	-	(316,239)	316,239	-	working capital	-		non-interest bearing	
Anscor Consolidated Corporation	912,530,984	-	281,886,815	1,194,417,799	-	-	-	dividends & working capital	281,886,815		non-interest bearing	
Phelps Dodge Philippines Energy Corporation	22,107,471	-	99,003,320	92,513,490	28,566,510	-	28,597,301	management fee & others	99,003,320		non-interest bearing	annual management fees amounting toP7.2 million plus certain percentages of audited income before tax and technical assistance fees.
AFC Agribusiness	-	-	1,115,000		1,115,000	-	1,115,000	working capital	1,115,000		non-interest bearing	
Cirrus Medical Staffing, Inc.	56,400	-	-	-	-	56,400	56,400	working capital & investments	-		non-interest bearing	
Cirrus Global, Inc.	(2,131,783)	-	130,000	-	130	(2,131,783)	(2,131,653)	working capital & investments	130,000		non-interest bearing	
Anscor International, Inc.	3,237,592,754	-	182,198,392	335,066,230	182,198,392	2,902,526,524	3,084,724,916	working capital & investments	182,198,392		non-interest bearing	
	4,176,325,443	**257,492,654**	**610,402,637**	**1,665,633,132**	**477,412,427**	**2,900,698,275**	**3,378,141,493**					
RECEIVABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)												
Pamalican Resort Inc. (ASAC direct receivables)	457,080	-	1,986,391	1,988,634	454,837	-	454,837	working capital	1,986,391		non-interest bearing	
Pamalican Resort Inc. (IAI direct receivables)	18,992,965	-	55,891,410	55,706,951	19,177,424	-	19,177,424	Air Service	55,891,410		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Seven Seas Resorts & Leisure Inc. (PIHI direct receivables)	616,784	-	-	-	-	616,784	616,784	working capital	-		non-interest bearing	
	20,066,829	-	57,877,801	57,695,585	19,632,261	616,784	20,249,045					

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
ANSCOR CONSOLIDATED CORPORATION												
Seven Seas Resorts & Leisure Inc.	-	-	-	700,379	-	(700,379)	(700,379)	working capital	-		non-interest bearing	
	-	-	-	700,379	-	(700,379)	(700,379)					
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
Island Aviation Inc. (direct receivable of PRI)	53,070,694	-	28,880,761	18,871,465	28,880,761	34,199,229	63,079,990	working capital	28,880,761	5% per annum	payable in ten equal installments starting March 31, 2013	
Pamalican Island Holdings, Inc. (direct receivable of PRI)	19,386,476	-	-	-	-	19,386,476	19,386,476	working capital	-		non-interest bearing	
	72,457,170	-	28,880,761	18,871,465	28,880,761	53,585,705	82,466,466					
Sutton Place Holdings Inc. (Conso)												
A. Soriano Corporation (direct receivable of CGI)	2,131,783	-	-	130	-	2,131,653	2,131,653	working capital & investments	-		non-interest bearing	
Cirrus Medical Staffing - Conso (direct receivable of CGI)	3,409,141		15,768,495		17,766,416	1,411,220	19,177,636	working capital	15,768,495		non-interest bearing	
	5,540,924	-	15,768,495	130	17,766,416	3,542,873	21,309,289					
Anscor International, Inc.												
Cirrus Global, Inc. (direct receivable of Cirrus Medical Staffing)	37,648,000	-	-	37,648,000	-	-	-	working capital & investments	-		non-interest bearing	
	37,648,000	-	-	37,648,000	-	-	-					
	135,712,923	**-**	**102,527,057**	**114,915,559**	**66,279,438**	**57,044,983**	**123,324,421**					
PAYABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)		-			-	-	-					
A. Soriano Corporation	4,931,556	-	13,000,000	10,000,661	8,000,000	(69,105)	7,930,895	working capital	13,000,000	7% per annum	Until June 15, 2016	
Seven Seas Resorts & Leisure Inc. - Conso (direct payable of IAI)	53,070,694	-	28,880,761	18,871,465	28,880,761	34,199,229	63,079,990	working capital	28,880,761	5% per annum	payable in ten equal installments starting March 31, 2013	
Seven Seas Resorts & Leisure Inc. - Conso (Direct payable of PIHI)	19,386,746	-	-	-	-	19,386,746	19,386,746	working capital	-		non-interest bearing	
	77,388,996	-	41,880,761	28,872,126	36,880,761	53,516,870	90,397,631					
ANSCOR CONSOLIDATED CORPORATION												
A. Soriano Corporation	912,530,984	-	281,886,815	1,194,417,799	-	-	-	dividends & working capital	281,886,815		non-interest bearing	
	912,530,984	-	281,886,815	1,194,417,799	-	-	-					
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
A.Soriano Corporation	651,638	-	9,144,337	9,439,995	355,980	-	355,980	working capital	9,144,337		non-interest bearing	
A. Soriano Air Corporation	457,080	-	1,986,391	1,988,634	454,837	-	454,837	working capital	1,986,391		non-interest bearing	

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Name and Designation of Debtor	Balance at Beginning of Period	Additions: Newly Consolidated Subsidiaries	Additions: Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Transactions: Nature	Transactions: Amount	Terms: Interest Rate	Terms: Payment Terms	Terms: Others
A. Soriano Air Corporation (direct payable of PRI)	18,992,965	-	55,891,410	55,706,951	19,177,424	-	19,177,424	Air Service	55,891,410		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Pamalican Island Holdings, Inc. (ASAC- Conso)	616,784	-	-	-	-	616,784	616,784	working capital	-		non-interest bearing	
	20,718,467	-	67,022,138	67,135,580	19,988,241	616,784	20,605,025					
PHELPS DODGE INTERNATIONAL PRODUCTS PHILIPPINES, INC.												
A. Soriano Corporation (direct payable of PDP Energy)	22,107,471		99,003,320	92,513,490	28,597,301	-	28,597,301	management fee & others	99,003,320		non-interest bearing	annual management fees amounting toP7.2 million plus certain percentages of audited income before tax and technical assistance fees.
	22,107,471	-	99,003,320	92,513,490	28,597,301	-	28,597,301					
ANSCOR PROPERTY HOLDINGS INC. (Conso)												
A. Soriano Corporation	270,184		23,924,773	24,194,957	-	-	-	working capital	23,924,773		non-interest bearing	
	270,184	-	23,924,773	24,194,957	-	-	-					
ANSCOR HOLDINGS INC. (Conso)												
A. Soriano Corporation	-	257,479,602	-	-	257,479,602	-	257,479,602	working capital	257,479,602		non-interest bearing	
	-	257,479,602	-	-	257,479,602	-	257,479,602					
Summerside Corporation (Conso)												
A. Soriano Corporation	-	13,052	-	-	13,052	-	13,052	working capital	13,052		non-interest bearing	
	-	13,052	-	-	13,052	-	13,052					
SUTTON PLACE HOLDINGS, INC. (Conso)												
Cirrus Medical Staffing (direct payable of CGI)	37,648,000	-	-	37,648,000	-	-	-	working capital	-		non-interest bearing	
A. Soriano Corporation	316,239	-	361,781	-	361,781	316,239	678,020	working capital	361,781		non-interest bearing	
	37,964,239	-	361,781	37,648,000	361,781	316,239	678,020					
Anscor International (Conso)												
A. Soriano Corporation (direct payable of Cirrus)	56,400	-	-	-	-	56,400	56,400	working capital & investments	-		non-interest bearing	
A. Soriano Corporation (direct payable of AI)	3,237,592,754	-	182,198,392	335,066,230	182,198,392	2,902,526,524	3,084,724,916	working capital & investments	182,198,392		non-interest bearing	
Cirrus Global, Inc. (Sutton - Conso)	3,409,141		15,768,495	-	17,766,416	1,411,220	19,177,636	working capital	15,768,495		non-interest bearing	
	3,241,058,295	-	197,966,887	335,066,230	199,964,808	2,903,994,144	3,103,958,952					
	4,312,038,636	**-**	**712,046,475**	**1,779,848,182**	**285,792,892**	**2,958,444,037**	**3,244,236,929**					

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2016
(Amounts in PHP)

Description	Beginning Balance	Additions at cost	Deductions: Charged to cost & expenses	Deductions: Charged to other accounts	Other Changes: Additions	Other Changes: Deductions	Ending Balance
	75,181,852						
PREPAYMENTS AND OTHER CURRENT ASSETS							
Prepaid insurance and others	23,918,081		5,241,109	-	-	-	18,676,972
Deposits	51,955,434		5,686,157		-	-	46,269,277
Prepaid taxes and Input VAT	14,086,489		1,622,241	-	-	-	12,464,248
Short-term investment/placements	-	70,500,000					70,500,000
Others	15,855,632	6,311,532		-	-		22,167,164
	105,815,636	76,811,532	12,549,507	-	-	-	170,077,661
GOODWILL							
Seven Seas Resorts and Leisure Inc.	99,330,987	-	-	-	-	-	99,330,987
Phelps Dodge International Philippines, Inc.	1,202,945,278	-	-	-	-	-	1,202,945,278
Cirrus Medical Staffing, LLC (Note 1)	550,145,950	-	-	-	37,073,849	-	587,219,799
	1,852,422,215	-	-	-	37,073,849	-	1,889,496,064
OTHER NONCURRENT ASSETS							
Fund for villa operations	87,195,705		1,934,657		-	-	85,261,048
Deposits to supplier	14,157,327	21,033,939	-		-	-	35,191,266
Deferred nurse cost	7,225,350		3,983,141	-	-	-	3,242,209
Refundable deposits	2,051,851	44,471	-	-	-	-	2,096,322
Others	7,652,253		4,436,320				3,215,933
Total	118,282,486	21,078,410	10,354,118	-	-	-	129,006,778

Note 1 - Goodwill from Cirrus was increased by P37.07 million due to foreign exchange differences in 2016.

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
AS OF DECEMBER 31, 2016
(Amounts in PHP)

Title of issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under caption "Current portion of long-term debt" in related balance sheet	caption "Long-term debt - net of current portion" in related balance sheet
Loan availed by Anscor:			
Bank of the Philippine Islands (Note 1)	1,566,180,000	447,480,000	1,118,700,000
Loan availed by PDP:			
BDO UNIBANK (Note 2)	942,857,143	171,429,000	771,428,143
Loan availed by IAI:			
Bank of the Philippine Islands (Note 3)	36,544,200	10,441,200	26,103,000
Total	2,545,581,343	629,350,200	1,916,231,143

Note 1 - On of June 24, 2013, the Company obtained a total loan amounting to US$45.0 million or P1,997.8 million to finance the investments in shares of stock of AG&P. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to P2,273.7 million and P2,169.1 million as of December 31, 2016 and 2015, respectively. This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

Note 2 - In 2015, PDP Energy obtained a long-term loan to partially fund the P1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to P1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the Bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2016, PDP Energy is in compliance with the debt covenants.

In addition, the long-term loan is secured by the following collaterals, among others:
• Real estate mortgage over the land owned by Minuet;
• Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy's and PDEI's premises;
• Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
• Assignment of leasehold rentals of the properties located in PDP Energy's premises.

The long-term loan also provides for pretermination without penalty.

Note 3 - In 2014, IAI converted the short-term loan amounting to $1.05 million (P46.56 million) to long-term loan . The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering a portion of the assets of SSRLI.

The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2016 AND 2015
(Amounts in PHP)

PARTICULARS	Balance at beginning of period	Balance at end of period
Due From:		
Multi-media Telephony, Inc. (MTI) (Notes 1)	**566,037,369**	**566,037,369**
Others	**1,379,709**	**993,601**
	567,417,078	**567,030,970**
Less Allowance for Doubtful Accounts	**564,761,343**	**564,761,343**
RECEIVABLE - NET	**2,655,735**	**2,269,627**

Note 1 In June and September 2005, the Company entered into a loan agreement with MTI for the latter to issue convertible debts to the Company. The debts, totaling US$3.0 million are payable in 270 days and bear interest at 20% per annum. Prior to the payment date, the Company has the option to convert the said debt into Vicinetum Holdings, Inc.'s (VHI) (MTI's parent company) shares of stock.

In 2006, the Company provided additional advances to MTI amounting to US$6.5 million. The advances are payable in two years and bear interest at 20% per annum. The Company has the option to convert these advances to shares of stock of MTI.

In 2007, additional ₱25.0 million advances were extended to MTI to be converted to 278,822 shares of VHI.

As of December 31, 2009, these advances were converted into deposits for future stock subscription of VHI shares.

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2016

(Amounts in PHP)

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which this Statement is Filed	Nature of Guarantee
N A	NA	NA	NA	NA

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
AS OF DECEMBER 31, 2016

Title of Issue	Number of Shares Authorized	Number of Shares issued & Outstanding	Number of shares Reserved for Options,Warrants Conversions & Other Rights	Number of shares Held by		
				related parties	Directors, Officers & employees	Others
Common Stock	3,464,310,958	2,500,000,000	NA			
Treasury shares		-				
No. of shares issued (no. of shares outstanding - legal)		2,500,000,000		1,267,406,746	678,242,902	554,350,352
No. of shares held by a subsidiary (Anscor Consolidated Corporation)		(1,267,406,746) *				
No. of shares outstanding		1,232,593,254				

As of December 31, 2016 and 2015, Anscorcon holds 1,267,406,746 shares and 1,266,300,646 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting toP6.8 million (1,106,100 shares) and P55.9 million (8,400,000 shares) in 2016 and 2015, respectively.

A. SORIANO CORPORATION AND SUBSIDIARIES
ANNEX – A
FINANCIAL INDICATORS
DECEMBER 31, 2016

Significant financial indicators of the Group are the following:

	12/31/2016	12/31/2015	12/31/2014
Book Value Per Share (Note 1)	**13.17**	10.99	11.94
Current Ratio (Note 2)	**3.01**	2.13	1.28
Interest Rate Coverage Ratio (Note 3)	**20.39**	15.35	34.64
Debt to Equity Ratio (Note 4)	**0.29**	0.41	0.41
Asset to Equity Ratio (Note 5)	**1.33**	1.44	1.44
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**12.81%**	12.10%	47.9%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**9.38%**	9.46%	13.8%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

<u>The Key Financial Indicators of our Major Subsidiaries are the following:</u>

PDP Energy and PDIPI

In Million Pesos

	12/31/2016	12/31/2015	12/31/2014
1. Net sales	**6,608**	6,102	6,552
2. Gross profit	**1,358**	1,126	1,123
3. Net income	**751**	574	536

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

	12/31/2016	12/31/2015	12/31/2014
3. Service income	**2,572,502**	1,850,445	1,250,017
4. Cost of services rendered	**2,026,219**	1,468,253	1,018,339
5. Net income	**184,916**	108,864	32,367

Seven Seas Group

In Thousand Pesos

	12/31/2016	12/31/2015	12/31/2014
1. Occupancy rate	**44.4%**	47.2%	34.4%
2. Hotel revenue	**678,913**	644,509	527,137
3. Gross operating profit (GOP)	**240,417**	196,728	56,877
4. GOP ratio	**35.4%**	30.5%	11.8%
5. Resort net income	**36,677**	6,261	(41,700)
6. Villa development/lease net income	**342,867**	159,694	9,406
7. Consolidated net income (loss)	**379,544**	165,955	(32,294)

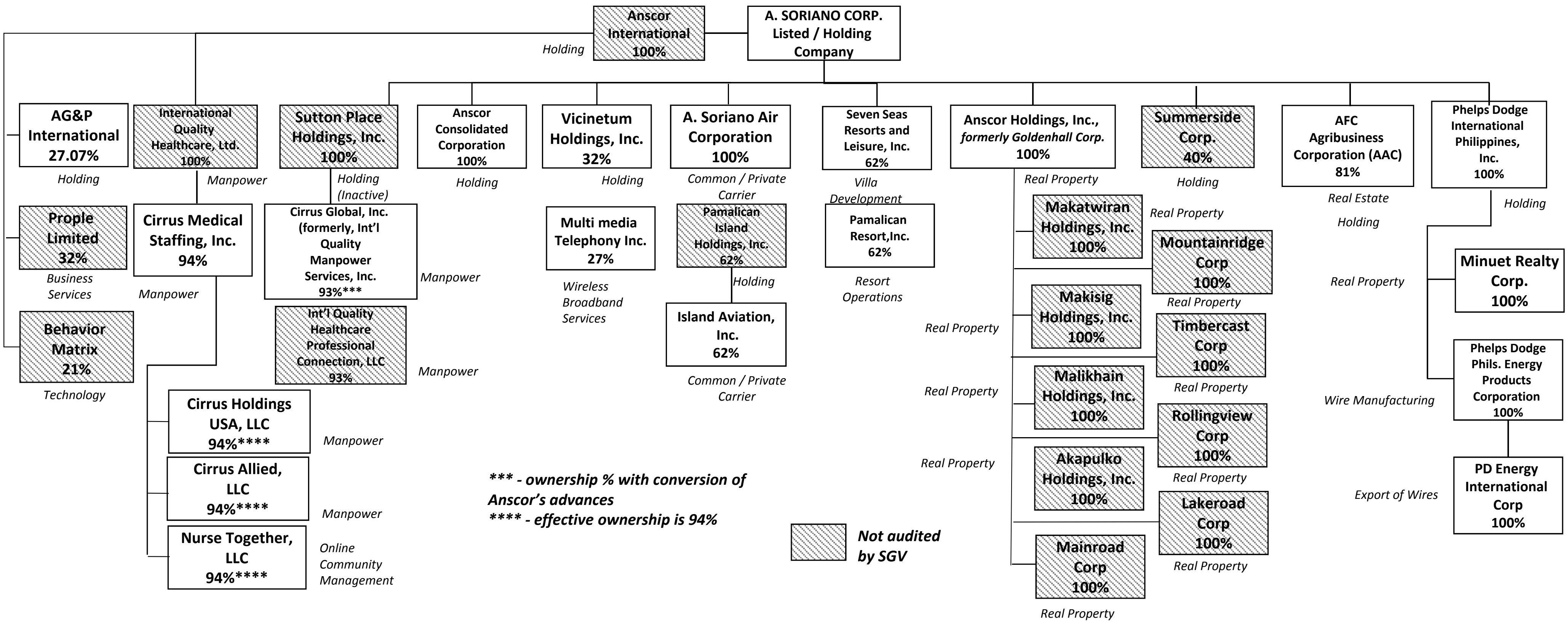
Occupancy rate is based on actual room nights sold over room nights on a 12-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues. Villa development operation's net income in 2016 and 2015 amounted to P342.9 million (from sale of 2 villas) and P159.7 million (from sale of a villa), respectively.

A. SORIANO CORPORATION (PARENT)
ANNEX - B
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2016

Unappropriated retained earnings, beginning	3,058,392,462
Net deferred tax assets recognized directly to income	(28,404,137)
Unappropriated Retained Earnings, as adjusted to available for	
dividend distribution, January 1, 2016	3,029,988,325
Add: Net income during the period	1,004,230,047
Net decrease in deferred tax assets	6,699,752
Less: Appropriation of retained earnings	(850,000,000)
Cash dividends declared and paid in 2016	(500,000,000)
Total retained earnings available for dividend declaration, December 31, 2016 (Note 1)	2,690,918,124

Note 1: On February 22, 2017, the Company declared a cash dividend of P500.0 million (P0.20 per share) to stockholders of record as of March 9, 2017 payable on April 4, 2017.

A. SORIANO CORPORATION AND SUBSIDIARIES
ANNEX – C
GROUP STRUCTURE
DECEMBER 31, 2016



A. SORIANO CORPORATION AND SUBSIDIARIES
ANNEX D
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2016**		**Adopted**	**Not Early Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transaction*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*		✓	
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2016.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10, *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PFRS 10, *Consolidated Financial Statements* - Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

**Standards and interpretations which will become effective subsequent to December 31, 2016.*
**Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception	✓		
	Amendments to PFRS 12: Clarification of the Scope of the Standard*		✓	
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
IFRS 15	Revenue from Contracts with Customers*		✓	
IFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2016.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PAS 28:Applying the Consolidation Exception	✓		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2016.*
***Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of Information ‘elsewhere in the interim financial report’			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

**Standards and interpretations which will become effective subsequent to December 31, 2016.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC- 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements & Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
Philippine Interpretations				
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to December 31, 2016.*

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building EDSA, Greenhills
City of Mandaluyong Metro Manila

Company Reg. No. PW-02

CERTIFICATE OF FILING
OF
AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

A. SORIANO CORPORATION

copy annexed, adopted on March 06, 2007 by majority vote of the Board of Directors and on April 16, 2007 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 48 of the Corporation Code of the Philippines Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Mandaluyong City, Metro Manila, Philippines, this 25th day of May, Two Thousand Seven.

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

AMENDED BY-LAWS
OF
A. SORIANO CORPORATION

ARTICLE I

CAPITAL STOCK AND SHARES

Section 1. Each stockholder shall be entitled to one or more shares of the Corporation registered in its Stock Books in the name of the person who has subscribed thereto. Certificates of Stock shall be issued in numerical order from the Stock Certificates Book and shall be signed by the Chairman of the Board and Chief Executive Officer or by the President and Chief Operating Officer, and countersigned by the Secretary and sealed with its corporate seal; Provided, that in lieu of the original signatures of the Chairman of the Board and Chief Executive Officer, or the President and Chief Operating Officer, and of the Secretary there may be substituted a facsimile of said signatures, in which case a certificate must bear the original and genuine signature of the Assistant Secretary or of an authorized representative of the Corporation’s stock transfer agent and shall be sealed with the corporate seal. The certificates of stock shall be numbered in the order in which they are issued. On the stub of each certificate issued shall be recorded the data relative to each certificate.

Section 2. The certificates of stock may be transferred, sold, ceded or pledged by written endorsement on the back of the certificate and delivery thereof to the assignee, but the Corporation shall continue to honor the ownership of such certificate of the person in whose name it was issued, until such certificate is surrendered to the Secretary for cancellation and in lieu thereof a new certificate is issued in the name of the assignee.

The Corporation will refuse to record on its book the transfer of, and will not issue or sell, any shares of its capital stock or interest thereon, to persons who are not citizens of the Philippines, if, as a result of such issuance, sale or transfer, the total number of shares of capital stock owned on record or beneficially, as may be known to the Corporation, by non-Philippine citizens, will exceed FORTY PERCENT (40%) of the number of outstanding shares of capital stock and this restriction shall be indicated in all stock certificates.

Section 3. All certificates presented for transfer to the Secretary must be stamped “CANCELLED” on the face thereof together with the date of cancellation, and must be immediately attached to the corresponding stub in the stock book.

Section 4. New certificates of stock in lieu of those which have been lost or destroyed may be issued provided the owner of said certificates of stock, or his legal representative, shall file an affidavit, in triplicate, setting forth the circumstances under which said certificates have been lost or destroyed, the number of shares represented bv each certificate and the numbers of the certificates. The petitioner shall also submit such other information and evidence which he may deem convenient and necessary.

After verifying the affidavit and other information and evidence of the applicant with the books of the corporation, said corporation shall publish a notice of said loss in a newspaper of general circulation in the Philippines published in Manila, once a week for three consecutive weeks, at the expense of the petitioner. The notice shall state the name of the corporation, the name of the registered owner, the number of the certificates, and the number of shares represented by each certificate. After the expiration of one year from the date of the last publication, if no claim has been presented to said corporation regarding said certificates of stock, the right to make such claim shall be barred and said corporation shall cancel in its books the certificates of stock which have been lost or destroyed, issuing in lieu thereof new certificates of stock. If the registered owner files a bond satisfactory to the Board of Directors, running for a period of one year to indemnify the corporation during said period, of any loss or damages which it may incur for the issuance of the new certificates, the new certificates may be issued even before the expiration of the one-year period provided herein. Provided, however, that if a claim has been presented to the corporation or, if an action is pending in Court, regarding the ownership of said certificates of stock, the issuance of the new certificates of stock in lieu thereof shall be suspended until final adjudication by the Court regarding the ownership of the said certificates.

Section 5 The stock and transfer books of the corporation shall be closed for transfer at least twenty (20) days next preceding the Annual Meeting of Stockholders.

ARTICLE II

FUNDS OF THE CORPORATION

The funds of the Corporation shall be deposited in its name in such banks or credit institutions designated by the Board of Directors, with the exception of a small amount to be determined by the Board, which amount can be placed in the safe box of the Corporation.

ARTICLE III

MEETINGS

Section 1. The annual meeting of stockholders, legally constituted, represent the entire stockholdings and any resolutions adopted at such meetings are binding upon all stockholders present or absent.

Section 2. The meetings of stockholders shall be ordinary or extraordinary and held in the principal offices of the Corporation or in such place as may be designated by the Board within Metro Manila. Unless a different date and time preferably in April is fixed by the Board of Directors and only upon due notice, the annual meeting of stockholders shall be held at 10:00 o'clock in the morning on the THIRD WEDNESDAY OF OPRIL OF EACH YEAR, if not a legal holiday, and if a legal holiday, then on the day following. The special meeting of stockholders may be held at any time whenever so called by the Board of Directors or the Chairman and Chief Executive Officer.

Section 3. Notices of ordinary stockholders meeting shall be sent to stockholders or record at least fifteen (15) business days prior to the scheduled annual stockholders meeting. Notices for special meetings shall be mailed and deposited in any post office in Metro Manila addressed to each stockholder at his/her address registered in the Stock and Transfer Books of the Corporation at least fifteen (15) business days prior to the date of the meeting. The notice shall state the business to be discussed at the meeting and any other matters not stated therein shall not be touched upon. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

Section 4. The meetings of stockholders, ordinary and extraordinary, duly called, shall be constituted and the minutes recorded, provided that more than one-half of the outstanding stock must be present or represented except in cases in which the Corporation Law requires a higher majority. If no quorum is constituted, the meeting shall be adjourned until the requisite number of stockholders shall be present. When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

Section 5. For the election of Directors it shall be necessary that one-half plus one of all shares subscribed be present or represented.

Section 6. Any stockholder with the right to vote may be represented by proxy at any stockholders' meeting, ordinary or extraordinary. The proxies shall be in writing and signed, with no other formality required. The proxies for the ordinary meetings shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting, otherwise the proxies will be invalid. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

The Board of Directors shall set the date for validation of proxies which shall not be less than five (5) days prior to the scheduled annual stockholders meeting.

Section 7. Each share of stock, provided each share is fully paid for, is entitled to one vote in the name of the person recorded in the Stock Book of the Corporation.

Section 8. The election of directors must be made in accordance with law and every stockholder entitled to vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit;

provided, that the total number of votes cast by him shall not exceed the number of shares owned by him.

Section 9. In the annual meeting of stockholders, a board of SEVEN (7) directors shall be elected who will hold their offices for the ensuing term and until their successors are duly elected and qualified. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000 and as further amended by the Board of Directors on March 6, 2007 and by the Stockholders on April 16, 2007 .)*

ARTICLE IV

BOARD OF DIRECTORS

Section 1. The corporate powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board of SEVEN (7) Directors who shall be elected annually by the stockholders for a term of one (1) year and shall serve until the election and acceptance of their qualified successors. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000 and as further amended by the Board of Directors on March 6, 2007 and by the Stockholders on April 16, 2007 .)*

Without prejudice to the general powers hereinabove conferred, the Board of Directors shall have the following express powers:

a. From time to time to make and change rules and regulations not consistent with the by-laws for the management of the Company's business and affairs;

b. To purchase or otherwise acquire for the Company, rights or privileges which the Company is authorized to acquire at such price and on such terms and conditions and for such consideration as it shall from time to time see fit;

c. To pay for any property or rights acquired by the Company or to discharge obligations of the Company either wholly or partly in money or in stock, bond, debentures or other securities of the Company;

d. To borrow money for the Company and for such purpose to create, make and issue mortgages, bonds, deeds of trust and negotiable instruments or securities, secured by mortgage or pledge of property belonging to the Company; provided that, as hereinafter provided, the proper officers of the Company shall have these powers, unless expressly limited by the Board of Directors;

e. To prosecute, maintain, defend, compromise or abandon any law suit in which the Corporation or its officers are either Plaintiffs or Defendants in connection with the business of the Corporation, and likewise, to grant installments for the payments or settlement of whatsoever debts are payable to the Corporation;

f. To delegate, from time to time, any of the powers of the Board in the course of the current business or businesses of the Company to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the Company with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit; and

g. To dissolve doubts as to the meaning of these by-laws and supply the omissions thereof, and giving an account to the General Meeting of the same.

Section 2. No persons shall be elected director unless he has at lest twenty thousand shares of the capital stock of the Corporation registered in his name.

Section 3. In addition to the right of the Board of Directors to make nominations for the election of directors, nominations for the election of directors may be made by any shareholder entitled to vote for the election of directors if that shareholder complies with all of the following provisions:

a. Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), on March 1 of every year or at such earlier or later date as the Board of Directors may fix.

b. Each nomination under the preceding paragraph shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and (iv) the interests and positions held by each nominee in other corporation. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

c. The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded.

Section 4. A director shall be qualified to hold office only upon pledging the twenty thousand shares registered in his name to the Corporation to answer for his conduct. If any vacancy shall occur among the directors by death, resignation or otherwise, the remaining directors, by affirmative vote of a majority thereof, may elect a successor to hold office for the unexpired portion of the term of the director whose place shall be vacant and until the election of the new board of directors.

Section 5. Regular meetings of the Board of Directors shall be held once every quarter of the year in the office of the Corporation on such dates and at such times as the Chairman of the Board and Chief Executive Officer, or in his absence, the President and Chief Operating Officer may determine. Special meetings of the Board and Chief Executive Officer, or in his absence, of the President and Chief Operating Officer, or upon the request of a majority of the directors.

Section 6. Notice of the regular or special meetings of the Board shall be communicated by the Secretary to each director, verbally or in writing at his residence or usual place of business at least twenty-four (24) hours before the meeting.

Section 7. A majority of the entire membership of the Board shall constitute a quorum for the transaction of any business, and the decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act.

A written resolution signed by all the directors shall be binding and valid as if the same had been taken up by the Board in a meeting duly called.

ARTICLE V

EXECUTIVE COMMITTEE

The Board of Directors shall create an Executive Committee composed of five (5) members. The Executive Committee shall meet regularly at such times and places to be determined by a majority vote thereof. Unless otherwise provided for by the Board of Directors, the Executive Committee shall be composed of the Chairman and Chief Executive Officer, the Vice Chairman, the President and Chief Operating Officer, and two (2) officers or directors of the Company to be appointed by the Chairman. The Chairman and Chief Executive Officer of the Company shall act as Chairman of the Executive Committee.

The Executive Committee may act by majority vote of all of its members, on matters within the competence of the Board, except as specifically limited by law or by the Board of Directors. *(As amended by the Board on 2-15-00; by the stockholders on 4-19-00)*

All actions of the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision or alteration by the Board, provided that no rights of third parties arising out of acts approved by the Executive Committee and within its scope of authority shall be affected by such revision or alteration.

Regular minutes of the proceedings of the Committee shall be kept in a book provided for that purpose. Vacancies in the Committee may be filled by the Board of Directors, provided that the parties agree to vote their shares, instruct their directors (to the extent permitted by law), or otherwise exercise their rights as stockholders so as to elect a person nominated by the party that nominated the member whose death, resignation or removal from office caused the vacancy.

Three (3) out of the five (5) members of the Executive Committee shall be necessary to constitute a quorum, and in every case the affirmative vote of the three members shall be necessary for the passage of any resolution. The Executive Committee may act by the written resolution of a quorum thereof, although not formally convened. It shall fix its own rules of procedure and shall meet as provided by such resolution or by resolution of the Board, and shall also meet at the call of its Chairman.

The Board of Directors shall fix the compensation of the members of the Executive Committee.

ARTICLE VI

OFFICERS

Section 1. The officers of the Corporation shall consist of a Chairman of the Board, who shall be the Chief Executive Officer, a Vice Chairman of the Board, a President, who shall be the Chief Operating Officer, an Executive Vice President, one or more Vice Presidents, a Treasurer and an Assistant Treasurer, a Secretary and an Assistant Secretary and such other officers as may, from time to time, be chosen and appointed by the Board of Directors.

Section 2. The Chairman of the Board and Chief Executive Officer of the Corporation shall have the following powers and duties:

a. To preside at the meetings of the Board of Directors and of the Stockholders;

b. To carry out the resolutions of the Board of Directors;

c. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors;

d. To have general supervision and administration of the affairs of the Corporation;

e. To represent the Corporation at all functions and proceedings and, unless otherwise directed by the Board , to attend and/or vote, (in person or by proxy) at any meeting of shareholders of corporations in which the Corporation may hold stock and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present. *(As amended by the Board on 2-15-00; by the stockholders on 4-19-00)*

f. To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which required the approval of the Board of Directors, except as otherwise directed by the Board of

Directors;

g. To make reports to the Directors and Stockholders;

h. To sign certificates of stock; and

i. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice Chairman shall exercise the functions of the Chairman and Chief Executive Officer as specified in the next preceding section of this Article VI in the event of absence or temporary disability of the Chairman of the Board and Chief Executive Officer, and shall perform such other functions as the Board of Directors or the Chairman and Chief Executive Officer may from time to time entrust or delegate to him. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 4. The President and Chief Operating Officer shall exercise the following functions:

a. To ensure that the administration and operational policies of the Corporation are carried out under the direction and control of the Chairman of the Board and Chief Executive Officer;

b. To supervise and direct the day-to-day business affairs of the Corporation;

c. To recommend to the Chairman of the Board and Chief Executive Officer specific projects for the attainment of corporate objectives and policies;

d. Subject to guidelines prescribed by law or by the Chairman of the Board and Chief Executive Officer, to appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, determine their salaries;

e. To oversee the preparation of the budgets and the statements of accounts of the Corporation;

f. To prepare such statements and reports of the Corporation as may be required by law;

g. To exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer may from time to time assign to him;

h. Unless otherwise directed by the Board of Directors or by the Chairman of the Board and Chief Executive Officer, to exercise the latter's functions as specified in the next preceding section of this Article VI in the event of absence or temporary disability of the Chairman of the Board and Chief Executive Officer and the Vice Chairman of the Board.

Section 5. The Executive Vice President – In the absence or disability of the President and Chief Operating Officer, the Executive Vice President shall act in his place, exercise his powers and perform his duties pursuant to these By-Laws. The Executive Vice President shall also exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer or the President and Chief Operating Officer may assign.

Section 6. The Vice Presidents shall have such powers and shall perform such duties as may from time to time be assigned to them by the Chairman of the Board and Chief Executive Officer or by the President and Chief Operating Officer. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 7. The Secretary shall issue notices of all meetings; shall keep their minutes; shall have charge of the seal and the corporate books; shall sign with the Chairman of the Board and Chief Executive Officer or with the President and Chief Operating Officer the certificates of stock and such other instruments as may require such signature; shall act as the inspector at the election of directors and other voting by stockholders, and as such, determine the number of shares of stock outstanding and entitled to vote, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote; and shall make such reports and perform such other duties as are incident to his office or are properly required of him by the Board of Directors. The Secretary may assign the exercise or performance of his duty to act as election inspector and all duties related thereto, including the tabulation of votes and the proper conduct of the election or vote, to any other person or persons, subject always to his supervision and control. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 8. In the absence of the Secretary, the Assistant Secretary shall act in his place and perform his duties. The Assistant Secretary shall also perform such other duties as may, from time to time, be assigned by the President and Chief Operating Officer.

Section 9. The Treasurer shall have the custody of all moneys, securities and values of the Corporation which come into his possession, and shall keep regular books of account. He shall deposit said moneys, securities and values of the Corporation in such banking institutions, as may be designated from time to time by the Board of Directors, subject to withdrawal therefrom only upon the checks or other written demands of the Corporation which have been signed by such officer or officers, or person or persons as the Board of Directors may from time to time direct.

Section 10. Assistant Treasurer – In the absence of the Treasurer, the Assistant Treasurer shall act in his place and perform his duties. The Assistant Treasurer shall also perform such other duties as may from time to time be assigned to him by the President and

Chief Operating Officer.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Corporation shall indemnify every director, officer or member of the Board, his heirs, executors and administrators against all costs and expenses reasonably incurred by such person in connection with any civil, criminal, administrative or investigative action, suit or proceeding to which he may be, or is, made a party by reason of his being or having been a director, officer or member of the Board of the Corporation, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for negligence or misconduct.

In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Corporation is advised by counsel that the person to be indemnified did not commit such a breach of duty.

The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding as authorized in the manner provided for in the preceding paragraph upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article.

ARTICLE VIII

AUDIT OF BOOKS

Section 1. In any ordinary meeting of stockholders to be held, a firm of Certified Public Accountants shall be appointed by the stockholders to examine the books of accounts of the Corporation, until said appointment has been revoked in another ordinary meeting of stockholders.

Section 2. The duties of the Auditor shall be to examine the books of ac counts of the Corporation when he may deem convenient. Such audits shall be made at least once every year and he shall issue his report on the annual balance sheets, which report shall be published together with the balance sheets. To this effect, the Auditor shall be allowed free access at any time to any and all books, documents and files of the Corporation concerning the status of the treasury.

Section 3. A copy of the audited financial statements of the Corporation shall be deposited in the offices of the Corporation at least fifteen (15) business days prior to the date of the annual meeting and shall be at the deposit of the shareholders for approval. *As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 4. The Board of Directors from time to time shall determine the remuneration of the Auditors; however, this power may be delegated to a Vice President or an Assistant Vice President.

Section 5. The fiscal year of the Corporation shall begin the first day of January and shall end on the last day of December of each year. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

ARTICLE IX

DISTRIBUTABLE FUNDS AND DISSOLUTION OF THE CORPORATION

Section 1. The Board of Directors may declare, from time to time, as partial dividends to the holder of stock, whichsoever funds of the Corporation the Board may deem not necessary for the carrying out of the purposes of the Corporation.

Section 2. The remuneration of the Board of Directors cannot be increased in the future without the approval, through a resolution, by the stockholders representing at lest a majority of the capital stock.

Section 3. Upon the expiration of the term of this Corporation if no agreement has been made regarding its extension, or, in case of dissolution, for any reason, the Board of Directors may perform the functions of liquidator and the applicable part of these by-laws shall continue in force and effect for the purpose and for the duration of such liquidation.

ARTICLE X

MISCELLANEOUS AND TRANSITORY PROVISIONS

Section 1. The Corporate Seal of the Corporation shall be circular in form and inscribed on its margin the name of the Corporation and the words “Makati, Rizal, Philippines” and within the circle, the words “Incorporated 1930”; and said seal shall, for the present, be adopted as seal of the Corporation.

Section 2. These By-Laws may be repealed, amended or revised at any special meeting of the Board of Directors called for the purpose when two-thirds of the members are present. Such amendments, revisions, repeals are to be presented to the stockholders for ratification at the Annual Stockholders’ Meeting immediately following such special meeting of the Board of Directors. Acts done by the Board pursuant to such amendments, repeals or revisions shall, unless and until expressly further amended or repealed by the stockholders, be deemed valid and shall bind the Corporation to all intents and purposes.

Section 3. These By-Laws shall be effective from this date, February 5, 1930, on which they were approved.

STOCKHOLDERS' CERTIFICATE

The undersigned stockholders of "Sorox y Cia", representing more than two-thirds (2/3) of the capital stock issued by the Corporation, for these presents, certify that the foregoing By-Laws and Regulations of the Corporation was adopted by unanimous vote of all stockholders at the Special Meeting of Stockholders held on February 5, 1930 called for this purpose.

IN WITNESS WHEREOF, we have signed these presents this 5th day of February 1930, setting forth opposite our names the corresponding shares owned by each of the undersigned:

(SGD.) A. SORIANO	185 Shares
(MARGARITA ROXAS VDA. DE SORIANO) p.p. (SGD.) A. SORIANO	10 Shares
(SGD.) FRANCISCO ORTIGAS	1 Share
(SGD.) JOHN R. SCHULTZ	1 Share
(SGD.) BENITO RAZON	1 Share
(SGD.) C. A. SOMBRAL	1 Share

DIRECTORS' CERTIFICATE

Manila, February 5, 1930

We the undersigned, a majority of the members of the Board of Directors of "Sorox y Cia", do hereby certify that the preceding typewritten pages constitute the By-Laws of the Corporation, as adopted by unanimous vote of all stockholders present, represented by more than two-thirds (2/3) of the total subscribed and paid-up capital stock of the Corporation in the Annual Meeting of Stockholders held on February 5, 1930 and called for that purpose.

SGD.) A. SORIANO

(SGD.) FRANCISCO ORTIGAS

(SGD.) JOHN R. SCHULTZ

(SGD.) BENITO RAZON

ATTEST:

(SGD.) BENITO RAZON
Secretary

A. SORIANO CORPORATION

Notice of Annual Meeting of Stockholders

NOTICE IS HEREBY GIVEN that the regular Annual Meeting of Stockholders of A. Soriano Corporation ("ANSCOR" or the "Company") will be held on Wednesday, 19 April 2017 at 10:00 a.m. at the Rigodon Ballroom, Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, 1226 Makati City, Philippines.

The agenda for the meeting is as follows:

1. Approval of the minutes of previous meeting.
2. Presentation of the Chairman and Chief Executive Officer's Message to Stockholders.
3. Election of members of the Board of Directors.
4. Appointment of external auditors.
5. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting.
6. Such other business as may properly come before the meeting.

Only stockholders of record in the books of the Company at the close of business on 20 March 2017 will be entitled to vote at the meeting. The list of stockholders entitled to vote will be available for inspection at the office of A. Soriano Corporation, 7th Floor Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, ten (10) days prior to the Annual Meeting.

Stockholders are requested to complete, date, sign and return the enclosed proxy form to reach the Company as promptly as possible not less than ten (10) working days prior to the Annual Meeting or not later than 3 April 2017. The giving of such proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

Proxy validation will be held at A. Soriano Corporation, 7th Floor Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue, Makati City on 10 April 2017 from 11:00 a.m. to 12:00 noon.

Makati City, Philippines, 27 March 2017.

THE BOARD OF DIRECTORS
By:

LORNA PATAJO-KAPUNAN
Corporate Secretary

REGISTRATION OF STOCKHOLDERS WILL START AT 9:00 a.m.
Please bring identification, such as valid passport, driver's license or Company I. D.

A. SORIANO CORPORATION

P R O X Y

THIS PROXY IS BEING SOLICITED IN BEHALF OF ANDRES SORIANO III

____
Date

KNOW ALL MEN BY THESE PRESENTS:

I, the undersigned stockholder of A. Soriano Corporation, do hereby appoint, name and constitute ANDRES SORIANO III, or in his absence, the Vice Chairman of the Board, the Chief Financial Officer or the Corporate Secretary, in the order as enumerated, as my true and lawful proxy for me and in my name and stead, to attend the Annual Meeting of the Stockholders of the Corporation on 19 April 2017 and at any adjournment(s) thereof, to vote all my shares of stock in the Corporation in all matters set forth in the agenda as I have expressly indicated by marking the same with an "X" or a "✓".

If no specific instruction is given, the shares will be voted FOR the election of the nominees for directorship whose names appear in this proxy form and FOR the approval of all matters listed in the proxy statement the stockholders' approval of which is sought in the meeting. Moreover, this proxy shall confer discretionary authority to vote with respect to the election of any person to any office for which a bona fide nominee is named in the proxy statement and such nominee is unable to serve or for good cause will not serve; and to all matters incident to the conduct of the meeting.

I T E M	A C T I O N		
	FOR	**AGAINST**	**ABSTAIN**
1. To approve the minutes of the 20 April 2016 Annual Meeting of Stockholders			
2. To approve the 2016 Annual Report of the Corporation			
3. To elect the following nominees as directors of the Corporation			
a. Andres Soriano III			
b. Eduardo J. Soriano			
c. Ernest K. Cuyegkeng			
d. John L. Gokongwei, Jr.			
e. Oscar J. Hilado			
f. Jose C. Ibazeta			
g. Roberto R. Romulo			
4. To re-appoint SGV & Co. as external auditors of the Corporation			
5. To ratify all acts, contracts and resolutions of Management and the Board of			
Directors since the last annual meeting of the Corporation			
6. Other Matters			

Please refer to the Notice of Meeting for the agenda items of the stockholders' meeting on 19 April 2017.
Please see reverse side for voting, revocability, validation, submission deadline and authentication of proxies.

____
Printed Name of Stockholder

____
Signature of Stockholder
or Authorized Signatory*

[*N.B.: Corporations, Partnerships and Associations must attach certified resolutions or extracts thereof designating the authorized signatory/ies for the purpose of this Proxy.]

PLEASE DATE , SIGN and RETURN PROXY

Voting, Revocability of Proxies, Validation/Submission Deadline, Authentication

When proxies are properly dated, executed and returned on or before 3 April 2017, the shares they represent will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted FOR the election of the nominees for directorship whose names appear in the proxy form and FOR the approval of all matters the stockholders' approval of which is sought in the meeting. A stockholder giving a proxy has the power to revoke it at any time prior to its exercise by voting in person at the Annual Meeting, by giving written notice to the Corporate Secretary prior to the Annual Meeting or by giving a subsequent proxy which must be received by the office of the Corporate Secretary not later than 3 April 2017.

Each share of Common Stock outstanding as of record date will be entitled to one vote on all matters. The candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. The appointment of the independent auditors for the Company for the current year as well as other items presented to the Stockholders during the Annual Meeting will require the affirmative vote of a majority of the votes cast on the matter. Pursuant to Article III Section 6 of the By-Laws of the Corporation, written proxy shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting or not later than 3 April 2017.

Pursuant to the provisions of the By-Laws, the Board of Directors has set the date of validation of proxies to 10 April 2017. For this purpose, the Corporate Secretary shall act as the inspector at the election of directors and other voting by stockholders.

Under SEC Memo Circular No. 5 Series of 1996, all proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.

Person Making the Solicitation

The solicitation of proxies in the form accompanying this Statement is made in behalf of Management through Atty. Lorna Patajo-Kapunan and the proxy given will be voted in accordance with the authority contained therein. The solicitation of proxies in the accompanying form will be primarily by mail. However, personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen (15), and who will receive no additional compensation therefor. The Company will bear the cost, amounting to One Million Three Hundred Twenty Thousand Pesos (₱1,320,000.00), of preparing and mailing the annual reports, information statement and other materials furnished to the stockholders in connection with proxy solicitation.

None of the Directors has informed the Company that he intends to oppose any action intended to be taken by the Company.

Interest of Certain Persons in Matters to be Acted Upon

No Director or Executive Officer, nominated for re-election as Director or his associate has, at any time, any substantial interest, direct or indirect, by security holdings or otherwise, on any of the matters to be acted upon in the meeting, other than the approval of the Annual Report, election to office and ratification of acts of Management.

INFORMATION STATEMENT

Wednesday, 19 April 2017 at 10:00 a.m.
Rigodon Ballroom, Manila Peninsula Hotel,
Ayala Avenue corner Makati Avenue,
1226 Makati City, Philippines

A. SORIANO CORPORATION

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   / / Preliminary Information Statement / x / Definitive Information Statement

2.	Name of the registrant as specified in its charter	:	A. SORIANO CORPORATION
3.	Province, or country or other jurisdiction of incorporation organization	:	Makati City, Philippines
4.	SEC Identification Number	:	PW - 02
5.	BIR Tax Identification Code	:	000-103-216-000
6.	Address of principal office	:	7th Floor, Pacific Star Building Makati Avenue corner Gil Puyat Avenue 1209 Makati City, Philippines
7.	Registrant's telephone number, including area code	:	(632) 819-0251 to 60
8.	Date, Time and Place of the meeting	:	19 April 2017, Wednesday at 10:00 A.M. Rigodon Ballroom Manila Peninsula Hotel Ayala Avenue corner Makati Avenue 1226 Makati City, Philippines
9.	Approximate date on which the Information Statement is first to be sent or given to security holders	:	On or before 27 March 2017
10.	In case of Proxy Solicitations		
	Name of Person Filing the Statement/Solicitor	:	Atty. Lorna Patajo-Kapunan, Corporate Secretary
	Address	:	7th Floor, Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue, 1209 Makati City, Philippines
	Telephone Nos.	:	(632) 819-0251 to 60

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount to debt is applicable only to corporate registrants):

Title of Each Class	:	Common Shares
Number of shares of Common Stock Outstanding or Amount of Debt Outstanding As of February 28, 2017	:	2,500,000,000

12.	Are any or all of registrant's securities listed on the Philippine Stock Exchange?	:	Yes
	If so, disclose name of the Exchange	:	Philippine Stock Exchange

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

Date	:	Wednesday, 19 April 2017
Time	:	10:00 A.M.
Place	:	Rigodon Ballroom Manila Peninsula Hotel Ayala Avenue corner Makati Avenue 1226 Makati City, Philippines
Principal Office	:	7th Floor, Pacific Star Bldg. Makati Avenue corner Gil Puyat Avenue 1209 Makati City, Philippines

This information statement and the enclosed proxy form will be mailed or delivered by messengerial service to stockholders entitled to notice of and to vote at the Annual Meeting on or before 27 March 2017.

Voting, Revocability, Validation, Submission Deadline and Authentication of Proxies

When proxies are properly dated, executed and returned on or before 3 April 2017, the shares they represent will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted FOR the election of the nominees for directorship whose names appear in the proxy form and FOR the approval of all matters the stockholders' approval of which is sought in the meeting. A stockholder giving a proxy has the power to revoke it at any time prior to its exercise by voting in person at the Annual Meeting, by giving written notice to the Corporate Secretary prior to the Annual Meeting or by giving a subsequent proxy which must be received by the office of the Corporate Secretary not later than 3 April 2017.

Each share of common stock outstanding as of record date will be entitled to one vote on all matters. The candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. The appointment of the independent auditors for the Company for the current year as well as other items presented to the Stockholders during the Annual Meeting will require the affirmative vote of a majority of the votes cast on the matter. Pursuant to Article III, Section 6 of the By-Laws of the Corporation, written proxy shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting or not later than 3 April 2017.

Pursuant to the provisions of the By-Laws, the Board of Directors has set the date of validation of proxies on 10 April 2017. For this purpose, the Corporate Secretary shall act as the inspector at the election of directors and other voting by stockholders.

Under SEC Memo Circular No. 5 Series of 1996, all proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.

SOLICITATION INFORMATION

Person Making the Solicitation

The solicitation of proxies in the form accompanying this statement is made on behalf of Management through Atty. Lorna Patajo-Kapunan and the proxy given will be voted in accordance with the authority contained therein. The solicitation of proxies in the accompanying form will be primarily by mail. However, personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen (15) and who will receive no additional compensation therefor. The Company will bear the cost, amounting to One Million Three Hundred Twenty Thousand Pesos (₱1,320,000.00) of preparing and mailing the annual reports, information statement and other materials furnished to the stockholders in connection with proxy solicitation.

None of the Directors has informed the Company of any intention to oppose an action intended to be taken by the Company.

Dissenter's Right of Appraisal

There are no corporate matters or action that will trigger the exercise by the stockholders of their Right of Appraisal under the Corporation Code. However, if at any time after the information statement has been sent out, an action which may give rise to the Right of Appraisal is proposed at the meeting, any stockholder who wishes to exercise such right and who voted against the proposed action must make a written demand within thirty (30) days after the meeting.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Interest of Certain Persons in Opposition to Matters to be Acted Upon

No Director or Executive Officer, nominated for re-election as Director, or his Associate has, at any time, any substantial interest, direct or indirect, by security holdings or otherwise, on any of the matters to be acted upon in the meeting, other than the approval of the Annual Report, election to office and ratification of acts of Management.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Only stockholders of record on the books of the Company at the close of business on 20 March 2017 will be entitled to vote at the Annual Meeting. Presence in person or by proxy of a majority of the shares of common stock outstanding on the record date is required for a quorum.

There are 2,500,000,000 shares of common stocks outstanding and issued as of 20 March 2017. All the issued shares are entitled to vote on a one (1) share - one (1) vote basis. The Company has only one class of shares.

Pursuant to the Corporation Code and as provided under Article III, Section 8 of the By-Laws, every stockholder is entitled to vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. The proxy being solicited includes the authority to cumulate votes.

Except as indicated in section (a) below on Security Ownership of Certain Record and Beneficial Owners, there are no other persons holding 5% or more of the common stock of the Company.

As of February 28, 2017 the foreign ownership level of total outstanding shares is 20.26%.

The Company does not own any other equity securities beneficially owned by its directors and other nominees.

Change in Control

No change in control of the Company occurred since the beginning of the last calendar year. Management is not aware of any arrangement which may result in a change in control of the Company.

a. Security Ownership of Certain Record and Beneficial Owners

As of 28 February 2017, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

Title of Class	Name /Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number Of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,278,192,746*	51.128%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	506,401,252	20.256%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	169,646,329	6.786%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Filipino) (Depository Account).	Filipino	132,864,985	5.315%

* Includes 375,940,443 shares lodged with PCD Nominee Corp. (Filipino)

Anscor Consolidated Corporation is wholly owned by A. Soriano Corporation, the registrant Company, represented by Mr. Ernest K. Cuyegkeng as Treasurer.

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which Maybank ATR KimEng Securities, Inc., is the sole owner of more than 5%, specifically 33.176%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. Shares owned by Deerhaven, LLC are indirectly owned by Andres Soriano III. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines on 25 April 2003. Shares owned by A-Z Asia Limited Philippines, Inc. are indirectly owned by Eduardo J. Soriano.

Other than the above, there are no Stockholders owning more than 5% of the Company's outstanding shares of stock.

The Company is not aware of any material pending legal proceedings to which the Company or any of its subsidiaries is a party.

b. Securities Ownership of Certain Beneficial Owners and Management

As of 28 February 2017, the following are the security ownership of the Directors and Officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent
Common	Andres Soriano III	489,428,270	Direct/Indirect	American	19.577%
Common	Eduardo J. Soriano	188,515,944	Direct/Indirect	Filipino	7.541%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	John L. Gokongwei, Jr.	205,737	Direct/Indirect	Filipino	0.008%
Common	Oscar J. Hilado	20,000	Direct	Filipino	0.001%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Roberto R. Romulo	20,000	Direct	Filipino	0.001%
	Total	678,242,902			27.130%

William H. Ottiger, Narcisa M. Villaflor, Lorenzo D. Lasco, Atty. Lorna Patajo-Kapunan and Atty. Joshua L. Castro do not own shares of the Company.

c. Voting Trust Agreement

The Company does not have any voting trust agreement with any stockholder.

Directors and Executive Officers

Pursuant to the Corporation's By-Laws, in addition to the right of the Board of Directors to make nominations for the election of Directors including independent Directors, nominations for Directors including independent Directors may be made by any shareholder entitled to vote for the election of Directors.

Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent through the Corporate Secretary), on the 1st of March of every year or at such earlier or later date as the Board of Directors may fix.

Each nomination under the preceding paragraph shall set forth the name, age, business address and, if known, residence address of each nominee, the principal occupation or employment of each such nominee, the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine, the defective nomination and the nomination of the disqualified person shall be disregarded.

Mr. Eduardo J. Soriano, the Vice Chairman and Treasurer, nominated all the nominees for Directors including independent Directors contained in the information statement. Mr. Soriano is not related to any of the independent Directors nominated. No other nomination was submitted as of 01 March 2017.

Unless marked otherwise, the proxies received will be voted FOR the election of the nominees named below who have signified their acceptance of their respective nominations. The Board of Directors has no reason to believe that any of such nominees will be unwilling or unable to serve if elected as a Director. Each Director shall serve until the next annual meeting of stockholders or until his successor is elected or appointed in case of vacancy due to death, resignation or removal. Management recommends a vote FOR the election of each of the nominees listed below who are incumbent directors of the Company.

The nominations for independent Directors complies with SRC Rule 38, which requires that a corporation with a class of equity securities listed for trading on the Philippine Stock Exchange or with assets in excess of Fifty Million Pesos (₱50,000,000.00) and having two hundred (200) or more holders, at least two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities shall have at least two (2) independent Directors or such independent Directors shall constitute at least twenty percent (20%) of the members of such Board.

The two nominated independent Directors of the Company are Mr. Oscar J. Hilado and Mr. Roberto R. Romulo for the last five years. They are neither officers nor employees of the Company or of any of its subsidiaries. They do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out their responsibilities. Further, the nominated independent Directors possess all the qualifications and none of the disqualifications to serve as independent Directors of the Company. The independent Directors are nominated and elected in the same manner as regular directors in accordance with the nomination and election procedures provided in the By-Laws. The Company amended its By-Laws on 10 June 2009 to incorporate the requirements of SRC Rule 38 with respect to the nomination and election of independent Directors.

The brief description of the Directors' business experiences for the last five years follows:

ANDRES SORIANO III, age 65, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of Cirrus Medical Staffing, Inc. (2007 to present), International Container Terminal Services, Inc. (ICTSI) (July 1992 to present), and Manila Peninsula Hotel, Inc. (1986 to present). Mr. Soriano was formerly the President and Chief Operating Officer of San Miguel Corporation and was subsequently the Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 62, Filipino, Director of the Company since 21 May 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman of Anscor Holdings, Inc. (2012 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 70, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Phelps Dodge Philippines Energy Products Corporation (1999 to present), and Anscor Holdings, Inc. (2012 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present), KSA Realty Corporation (2001 to present), T-O Insurance (2008 to present), and Sumifru, Singapore (2003 to present); Chairman and Director of ArthaLand Corporation (2007 to present); Trustee of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of the Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968). Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

JOHN L. GOKONGWEI, JR., age 90, Filipino, Director of the Company since 21 May 1980; Director and Chairman Emeritus of JG Summit Holdings, Inc.; Chairman and CEO of JG Summit Holdings, Inc. (from 1990 to 2001); Director of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc., JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, Oriental Petroleum and Minerals Corporation, Manila Electric Company (March 31, 2014 to present); Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited; Graduate of De La Salle University, Masters Degree in Business Administration, (1977) Advance Management Program, Harvard University, (1972-1973).

OSCAR J. HILADO, age 79, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Chairman of Phinma Energy Corporation (April 2008 to present); Vice Chairman of Trans Asia Petroleum Corporation (April 2013 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Independent Director of First Philippine Holdings Corporation (November 1996 to present), Philex Mining Corporation (December 2009 to present); Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), Smart Communications, Inc., (May 2013 to present); Rockwell Land Corporation (May 2015 to present) and Roxas Holdings, Inc. (March 2016 to present). Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company.

JOSE C. IBAZETA, age 74, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), AG&P International Holdings, Ltd. (December 2014 to present), ICTSI Ltd, and ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968), MBA in Banking and Finance, New York University (1972).

ROBERTO R. ROMULO, age 78, Filipino, an independent Director of the Company since 13 April 1998; Chairman of AIG Philippines Insurance, Inc. (June 2000 to present), PETNET, Inc. (February 2006 to present), MediLink Network, Inc. (September 1999 to present), Nationwide Development Corporation (NADECOR), Carlos P. Romulo Foundation for Peace and Development, Philippine Foundation for Global Concerns, Inc. (PFGC) (1996 to present), Zuellig Family Foundation (June 2008 to present), Romulo Asia Pacific Advisory, Inc. (December 1997 to present) and Asia-Europe Foundation of the Philippines; Advisory Board Member of Philippine Long Distance Telephone Co. (PLDT) (March 2001 to present) and Independent Director of Equicom Savings Bank (January 2008 to present), Robinson Retail Holdings, Inc. (2013 to present) and Maxicare Healthcare Corporation (2014 to present); 25-year career at IBM Corporation holding CEO positions in the Philippines, Thailand, Burma and Bangladesh; Graduate of Georgetown University, (A.B.) and Ateneo de Manila University (LLB); Former Ambassador to Belgium, Luxembourg and the European Commission and Secretary of Foreign Affairs.

The following are the members of the Audit Committee, Compensation Committee, Executive Committee and Nomination Committee:

Audit Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

Compensation Committee:		
	Mr. Oscar J. Hilado	Chairman
	Mr. Andres Soriano III	Member
	Mr. Eduardo J. Soriano	Member
Executive Committee:		
	Mr. Andres Soriano III	Chairman
	Mr. Eduardo J. Soriano	Vice Chairman
	Mr. Oscar J. Hilado	Member
	Mr. Ernest K. Cuyegkeng	Member
	Mr. Jose C. Ibazeta	Member
Nomination Committee:		
	Mr. Eduardo J. Soriano	Chairman
	Mr. Oscar J. Hilado	Member
	Mr. Roberto R. Romulo	Member

The following are not nominees but incumbent officers of the Company:

WILLIAM H. OTTIGER, age 49, Swiss, Senior Vice President and Corporate Development Officer of the Company; President and CEO of Cirrus Medical Staffing; Director of AG&P International, Executive Committee Member of Enderun Colleges, Inc.; Director of Cirrus Global, Inc., AG&P Manila and Prople, Inc.; Formerly spent 9 years with San Miguel Brewing Group and 3 years with UBS Investment Bank; Graduate of Washington & Lee University, B.A. History, (1990). London Business School, Masters of Business Administration, (2001).

NARCISA M. VILLAFLOR, age 54, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc., The Andres Soriano Foundation, Inc., Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.), Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation and Cirrus Global, Inc.; Trustee of The Andres Soriano Foundation, Inc. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 54, Filipino, Vice President (joined the group in 1997); Director and General Manager of Anscor Holdings, Inc. (2012 to present); Director and President of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.); Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

LORNA PATAJO-KAPUNAN, age 64, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan Garcia & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc. (2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015). Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo, Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010). Bar Examiner, Mercantile Law (1988). The Outstanding Women in The Nations Service (TOWNS) Awardee – Corporate Law (1995) Filipinas Women Network (FWN) Influential Women Award (2016).

JOSHUA L. CASTRO, age 42, Filipino, Assistant Vice President (April 2013 to present) and Assistant Corporate Secretary (2006 to present) of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. (2006 to present) and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation (2006 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2006 to present), Anscor Holdings, Inc. (2012 to present), and The Andres Soriano Foundation, Inc. (2006 to present). Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

Ownership Structure and Parent Company

The registrant has no parent company.

Family Relationship

Andres Soriano III and Eduardo J. Soriano are brothers. There are no other family relationships known to the Company.

Executive Officers and Significant Employees

There are no significant employees.

Legal Proceedings

For the last five years and as of 28 February 2017, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

Certain Relationship and Related Transactions

There are no Management transactions during the year or proposed transactions to which the Company was or is to be a party, in which any of its Directors, nominees for election as Directors, Executive Officers, security holders owning more than 5% of the outstanding shares of the Company, or any member of the immediate family of any of the foregoing persons, have or is to have material interest.

Resignation of Directors

No incumbent Director has resigned or declined to stand for re-election to the Board of Directors due to disagreement with Management since the date of the last annual meeting.

Compensation of Directors and Executive Officers

As approved in 2004, Directors are paid a per diem of ₱20,000.00 per meeting attended and are given directors bonus representing no more than 1% of previous year's net income. Similarly, annual bonus, of no more than 3% of the preceding year's net income as well as salary increase of Executive Officers are approved by the Compensation Committee and the Board of Directors.

Name	Principal Position	Compensation		
		2015 Actual	2016 Actual	2017 (Estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano	Vice Chairman & Treasurer			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
William H. Ottiger	Senior Vice President & Corporate Development Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Joshua L. Castro	Assistant Vice President & Assistant Corporate Secretary			
Salaries		₱ 56,394,233	₱ 56,414,233	₱ 56,879,469
Benefits		1,446,769	2,127,602	2,127,602
Bonus		63,300,000	39,300,000	46,125,000
Sub-Total Top Executive		**121,141,002**	**97,841,835**	**105,132,071**
Other Directors		**18,495,714**	**14,122,857**	**15,522,857**
Total		**₱ 139,636,716**	**₱ 111,964,692**	**₱120,654,928**

Employment Contracts and Termination of Employment and Change-in Control Arrangements

All the Executive Officers are not subject of any employment contract. Neither are there any compensatory plans or arrangements with respect to the named executive officers that will result from their resignation, retirement or any other termination or from change in control in the Company or change in the named executive officers' responsibilities following a change in control.

Warrants and Options Outstanding

There are no warrants or options granted to the Directors, Chief Executive Officer, and other named Executive Officers.

Compliance with Leading Practice on Corporate Governance

As part of the Company's continuing efforts to comply with leading practice on corporate governance, on 10 March 2010, the Company submitted to the SEC and PSE its revised Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 6, Series of 2009. The Manual on Corporate Governance was further revised on 18 February 2011 to comply with additional requirements of the SEC. On 02 July 2014, the Company submitted to the SEC and PSE its Amended Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 9, Series of 2014. All the revisions to the Manual on Corporate Governance are discussed and deliberated upon by the Board of Directors prior to its approval and subsequent submission to the SEC.

The Board of Directors and Management evaluates on an annual basis, the Company's compliance with the Manual on Corporate Governance. The different Board Committees also evaluate the level of compliance with the Manual on Corporate Governance.

The Company continues to improve its systems and processes to enhance adherence and fully comply with leading practices on good corporate governance. These improvements are contained in the Company's Annual Corporate Governance Report and updates thereto submitted to the SEC. Further, Directors of the Company are required, before assuming office and annually thereafter, to attend a seminar on Corporate Governance conducted by a duly recognized private or government institution.

Likewise, following SEC's thrust to promote a better corporate governance environment, the Company complied with SEC Memorandum Circular No. 11, Series of 2014, which provides for template for publicly-listed companies' websites. The Company's website contains all the items indicated in said Circular.

As of 28 February 2017, there were no deviations from the Company's Manual on Corporate Governance.

Appointment of Independent Auditors

SyCip Gorres Velayo & Co. (SGV) has been the Company's independent auditors since its establishment in 1946. They will again be nominated for reappointment and presented for approval by the stockholders during the stockholders' meeting as external auditors for the ensuing calendar year. Unless marked to the contrary, proxies received will be voted FOR the appointment of SGV as the independent auditors for the ensuing year. The Management recommends a vote FOR the appointment of SGV as independent auditors of the Company for the ensuing year.

A representative of SGV is expected to be present at the Annual Meeting to respond to appropriate questions from the stockholders and to make a statement if so desired.

The Company has no disagreements with its independent auditors on Accounting and Financial Disclosure and changes in Accounting and Financial Disclosures are included in the attached Notes to Financial Statements, if applicable.

In compliance with SRC Rule 68 paragraph 3(b) (iv) (Rotation of External Auditors), the SGV audit partner, as of December 2016, is Ms. Julie Christine C. Ong-Mateo who is on her third year of audit engagement.

Audit and Audit Related Fees

The Company paid to its external auditors the following fees in the past two years:

Year	Audit Fees
2016	**₱ 1,155,000**
2015	₱ 1,155,000

The audit fees were evaluated and approved by the Audit Committee based on the scope of work of external auditors and the complexity of accounting and audit issues identified. There are no other fees paid to the external auditors for other assurance and related services.

Tax Consultancy and Other Fees

No tax consultancy fees were paid by the Company to SGV for the year 2016.

FINANCIAL AND OTHER INFORMATION

Management's Discussion and Analysis of Operation

Description of General Nature and Scope of Business

A. Soriano Corporation ("Anscor") was incorporated on February 13, 1930.

Anscor is a Philippine holding company with diverse investments. Anscor's major investments are in Phelps Dodge Philippines Energy Products Corporation ("PDP Energy") which manufactures wire and cable products and Seven Seas Resorts and Leisure, Inc., owner of Amanpulo Resort. It has investments in US-based nurse and physical therapists staffing company and steel modular engineering and constructions. It has other investments in companies engaged in a wide range of activities in the Philippines including aviation, nurse deployment, business process outsourcing, education and real estate. As a holding company, the principal sources of income for Anscor are: the share in net earnings of the companies in which it has investments, management fees, interest income, dividends and gains from the sale of investments mainly the trading gain on marketable securities and bonds.

In December 2014, taking most promising opportunities, Anscor raised its stake in Phelps Dodge International Philippines, Inc. (PDIPI) by acquiring the 60% stake of General Cable Corporation, making PDIPI a 100%-owned subsidiary of Anscor.

Growing the businesses is vital to Anscor's long-term success. The Company keeps a tight watch on the existing portfolio of businesses and new opportunities as they emerge.

In 2016, Anscor was able to increase revenue, manage expenses, and improve business margins and profitability of most of its operating units.

As of 31st December 2016, the Company's consolidated total assets stood at ₱21.5 billion. For the year ended 31st December 2016, consolidated revenues of the Company amounted to ₱11.9 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries/ associates as of December 31, 2016:

Company	% Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
IQ Healthcare Investments Limited	100%	Manpower Services	British Virgin Island
Cirrus Medical Staffing, Inc.	94%	Manpower Services	USA
Cirrus Holdings USA, LLC	94%	Manpower Services	USA
Cirrus Allied, LLC (formerly MDI Medicals, LLC)	94%	Manpower Services	USA
NurseTogether, LLC	94%	Online Community	USA
AG&P International Holdings, Ltd.	27%	Modular Steel Engineering / Construction	British Virgin Island
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercrest Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines

Company	% Ownership	Business	Jurisdiction
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	Houston, Texas, United States
AFC Agribusiness Corporation	81%	Real Estate Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Real Estate Holding	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Prople Limited	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
Behavior Matrix, LLC	21%	Behavior Analytics Services	USA
Enderun Colleges, Inc.	20%	Culinary School	Philippines
DirectWithHotels	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Below are the Key Performance Indicators of the Group:

Over the last years, consolidated revenues and net income from operations are as follows (in thousand pesos except earnings per share):

	Years Ended December 31		
	2016	2015*	2014*
REVENUES			
Sale of goods - net	₱ **6,608,155**	₱ 6,102,269	₱ –
Services	**3,483,481**	2,747,521	1,983,853
Sale of real estate	**633,912**	293,036	–
Dividend income	**218,798**	209,652	260,862
Interest income	**95,312**	83,315	96,439
Management fee	**–**	–	78,344
Equity in net earnings	**(72,774)**	153,954	(293,267)
	₱ **10,966,884**	₱ 9,589,747	₱ 2,126,232

**PDP Group's revenues, costs and expenses were not included in 2014 since PDP Group was still an associate. In 2016 and 2015, management fees for PDP Group were eliminated as PDP is now a subsidiary.*

		Years Ended December 31	
	2016	2015*	2014*
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments	555,619	1,091,214	1,661,986
Long-term Investments	343,158	–	56,059
Gain (loss) on increase (decrease) in market values of FVPL investments	20,589	(25,654)	(9,487)
	919,366	1,065,559	1,708,558
TOTAL	11,886,250	10,655,307	3,834,789
INCOME BEFORE INCOME TAX	2,113,987	1,672,659	2,064,102
PROVISION FOR INCOME TAX	423,696	309,398	29,360
NET INCOME	₱ 1,690,291	₱ 1,363,262	₱ 2,034,742
Attributable to:			
Equity holders of the Parent	1,522,797	1,282,783	2,041,142
Noncontrolling interests	167,494	80,479	(6,400)
	₱ 1,690,291	₱ 1,363,262	₱ 2,034,742
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent	₱ 1.24	₱ 1.03	₱ 1.63

Year 2016 Financial Performance

Anscor's consolidated net income of ₱1.5 billion was an improvement over the ₱1.3 billion net profit achieved in the previous year. Consolidated revenues were ₱11.9 billion against ₱10.7 billion in 2015.

The slowdown in the stock market in the second half of 2016 contributed to the lower gain on the sale of traded shares, from ₱1.09 billion in 2015 to ₱0.56 billion in 2016. Similarly, the significant decline in market price of ICTSI as compared to our cost resulted in the take-up of the impairment provision in 2016 amounting to ₱590.9 million which was mandated by the accounting rules.

On the other hand, the value of Anscor's unsold investments in other traded shares, bonds and equity funds increased by ₱1.2 billion which was reflected in the balance sheet and comprehensive income. The gains will be recognized upon the sale of these investments.

Anscor core investments in traded shares generated a dividend income of ₱82.7 million, lower than the ₱125.4 million dividends in 2015, due to the reduced size of the equity portfolio. These investments include International Container Terminal Services, Inc., Aboitiz Power Corporation, Megawide Construction Corporation, and iPeople (which operates the Mapua Institute of Technology).

Interest income of ₱95.3 million was higher than the results of the previous year. The loss reported in 2015 on our FVPL investments reversed to a gain of ₱20.6 million in 2016.

With the depreciation of the Philippine peso against the US dollar, the value of Anscor's foreign currency-denominated investments improved and net of a foreign exchange loss on its dollar loans, the Company posted a consolidated foreign exchange gain of ₱5.4 million in 2016 against a loss of ₱28.9 million last year.

In December 2016, after extensive review, Anscor took advantage of the buoyant property market in the Cebu Business District and sold its long-held lot in the Cebu Business Park, for a gain of ₱343.2 million.

On April 20, 2016, Anscor paid a cash dividend of ₱0.20 per share or a total of ₱500.0 million.

In June 2016, Anscor increased from 11.3% to 14.28%, its existing shareholdings in KSA, owner of The Enterprise Center located in Ayala Avenue, Makati City.

The Company paid down ₱340.0 million of principal to end the year with ₱1.6 billion of debt against ₱1.9 billion at the end of 2015.

Anscor's book value per share increased from ₱10.99 to ₱13.17 as of December 31, 2016, due mainly to a recovery in value of its traded equities.

The Soriano Group Operating Companies

Phelps Dodge International Philippines, Inc. (PDP, a wholly-owned subsidiary of Anscor)

The continued buoyant construction activity pushed PDP's performance to new highs, leading to a 13% increase in sales tonnage and a 31% increase in profits over last year. Despite lower copper prices, PDP revenues increased to ₱6.6 billion from ₱6.1 billion and generated a record profit of ₱750.6 million.

During the year, PDP paid Anscor a cash dividend and management fees of ₱250.0 million and ₱82.0 million, respectively.

The robust performance was due to a multitude of factors that included: value engineering studies to reduce product costs, increased operating efficiencies through lean manufacturing systems, strong partnership with our dealers, management of market price, efficient sales coverage and cost controls. Recent investments in expanded plant capacity have been justified by this year's strong demand.

PDP's continued focus on customer solutions helped it make significant inroads with new customers. New products and services secured for the company significantly large projects.

Highlights included supplying cables to large projects such as the Manila Bay Resort, Kinpo Electronics, Balfour Nlex Project, Solar Philippines Calatagan Solar Farm and Epson Precision; and new products like the space aerial cable for Meralco and the metal clad cable for Lancaster Estates.

A solid partnership with dealers significantly increased volume from PDP's dealer network in the mature Greater Manila area market and in the provinces.

A major accomplishment is PDP's safety record of no incident for the year.

PDP will continue to seek opportunities to offer improved services and products and to explore new markets and product lines.

Cirrus Medical Staffing, Inc. (93.6% owned by Anscor)

Demand for temporary health-care staffing in the United States grew by 13% in 2016, driven by a steady decline in the US national jobless rate and continued increase in hospital admissions. Increased patient volumes drove robust demand across all areas of health-care staffing and demand for nurses continued to outpace supply.

The national unemployment rate for registered nurses remains below 2%. In the medium term, demand will be underpinned by an ageing US and clinical population.

In 2016, Cirrus' consolidated revenue exceeded the growth of the industry and reached an all-time high of ₱2.6 billion, a 39% increase over 2015. The Travel Nursing and Travel Allied business units grew by 44% and 42%, respectively. With the increased demand, Cirrus selectively added throughout the year to its sales, finance and back office capabilities.

Consolidated operating income was ₱293.4 million, a 67% increase over that of 2015. Improved profitability was driven by top line growth, steady gross margins and the control of sales and general administration expenses.

For the year 2016, Cirrus paid Anscor ₱315.5 million through the redemption of preferred stock and cash dividends.

Cirrus also joined the ranks of the Top 50 Largest Travel Nursing Companies and the Top 100 Fastest Growing Staffing companies. Both citations testify to the hard work and dedication of teams in the US and in the Philippines.

Seven Seas Resorts And Leisure, Inc. (Owner of Amanpulo Resort, 62.3% owned by Anscor)

Amanpulo generated 6,503 room nights and total revenue of ₱678.9 million, a 5.3% improvement over last year. Lower occupancy was offset by an increase in the average room rate due to the depreciation of the Peso against the US dollar. Room nights from local tourists continued to increase while bookings from foreign visitors fell.

The number of villas in the rental pool increased as new villas became operational last December and total villa nights sold increased by 29%. The Resort's share in the villa revenue increased by 25.6% to ₱94.3 million.

Higher revenues from the casitas and villas raised gross operating profit from 30.6% to 35.5%, an increase of ₱43.7 million. Two villas sold in 2016 generated a one-time gain of ₱331.0 million. Total consolidated net income of the Group rose from ₱166.0 million in 2015 to ₱379.5 million in 2016, of which ₱236.4 million accrued to Anscor.

Capital improvements have focused on enhancing the cost structure and environment preservation. A new desalination plant is operating, all golf carts are solar-powered and an energy-efficient new power-generating unit will be installed in the second quarter of 2017.

AG&P International Holdings Ltd. (27.07% owned by Anscor)

In 2016, as a result of the recovery of all costs accrued in the preceding years, AG&P Group delivered US$148.5 million of revenue and a net income of US$30.5 million. Further accomplishments included a significant reduction of corporate overhead from US$40.0 million in 2015 to US$19.3 million in 2016, paying down approximately one-third of outstanding debt and extending the term of the remaining loans.

AG&P had its first major win in the Philippine power space in the last two decades and was awarded the site erection work for the boiler, the most critical package of the Masinloc power plant expansion. This emphasizes its re-emergence as an important contractor in the domestic market.

Other project awards for AG&P were a signed contract with Fluor for the first package of the Tesoro Refinery Upgrade in Washington State, USA, and the structural steel fabrication for Lycopodium Minerals.

AG&P also acquired a stake in Gas Entec, giving the company a strong Liquefied Natural Gas (LNG) design capability and full Engineering Procurement and Construction (EPC) credentials across the LNG supply chain, including case studies. AG&P also entered into a joint venture with Risco Energy to develop the LNG supply chain across Indonesia.

Old equipment in its Bauan Yard were replaced with state-of-the-art automated manufacturing systems, increasing theoretical module assembly to 125,000 tons per year.

While modularization will remain a key pillar, AG&P will focus on being a full integrator of LNG supply chains, aiming to become a leading tolled gas company.

Enderun Colleges, Inc. (20% owned by Anscor)

For the fiscal year June 1, 2015 to May 31, 2016, Enderun Colleges posted a consolidated income before tax of ₱109.4 million. Enderun's adjusted EBITDA for the fiscal year was ₱160.9 million, 15.6% higher than the previous year.

Enderun's student population has grown close to 1,200 full-time college and certificate students, spread evenly across the school's three main degree offerings, Hospitality Management, Business Administration and Entrepreneurship.

School years 2016-17 and 2017-18 are expected to be challenging with the implementation of the Government's K to 12 program which added two years of senior high school, delaying typical university enrolment patterns for those years. Enderun has partially mitigated the impact by growing its ancillary educational offerings outside the College.

One such offering, Enderun Extension, its continuing education unit, saw its revenues rise 27.5% year-on-year to ₱89.5 million. A key driver has been the College's language training and tutorial business, as well as its language training camps offered to Korean and Japanese students. The College now hosts several yearly conferences with topics ranging from data analytics to restaurant entrepreneurship.

Another area of growth is the College's hotel management and consultancy arm, Enderun Hospitality Management (EHM), which operates over a dozen boutique hotel properties. EHM grew by 155.9% year-on-year and is expected to deliver double-digit growth rates in the years to come.

Enderun continues to strengthen its brand across the education, hospitality management, and food and beverage sectors as well.

For the calendar year 2016, Enderun paid cash dividends of ₱106.8 million, of which ₱21.9 million accrued to Anscor.

KSA Realty Corporation (14.28% owned by Anscor)

Despite new office spaces opening up in the Makati Central Business District and the nearby Bonifacio Global City, KSA continues to enjoy positive occupancy and rental rates.

KSA began 2016 with more than 34,000 sq.m. or 40% of its leasable spaces up for renewal. However, 89% of existing tenants eventually committed to stay in the building and most of the remaining vacant spaces were leased to new tenants. Occupancy at end of 2016 was at 97%.

Average rental yields are among the highest in Makati and by the end of the year, stood at ₱1,190 per sq.m. compared with ₱1,110 at the end of the previous year.

The higher occupancy and rental yield translated into a 10% increase in rental income of ₱1.1 billion and a net income of ₱877 million, 11% higher than last year's net income, before gain on revaluation. KSA declared and remitted cash dividends of ₱800.0 million, of which ₱114.2 million was paid to Anscor.

Startup Ventures

A small portion of Anscor's assets are dedicated to early stage opportunities with the potential for large upside.

In 2015 and 2016, Anscor, through its wholly-owned subsidiary, invested in ***Y-mAbs Therapeutics Inc***. YmAbs is a US-based clinical stage biopharmaceutical company focused on developing new cancer treatments through immunotherapies. Its treatments could potentially reduce longer-term toxicities associated with current chemotherapeutics and provide the potential for curative therapy even for patients with widespread disease.

YmAbs' goal is to drive multiple product candidates to US Food and Drug Administration licensure. Each candidate has the potential to treat a variety of high-risk cancers.

BehaviorMatrix, LLC is a US-based data analytics firm focused on developing and bringing to market its first commercial product called "Active Insight," which will analyze consumer emotion towards specific consumer segment and brands, based on predefined analytics.

In 2014, Anscor entered into a convertible loan to explore multiple geothermal concessions owned by the ***Red Core Group.*** To date, potential geothermal energy resources have been identified within the Tiaong-Dolores, Tayabas-Lucban and San Juan, Batangas contract areas. The group is currently seeking financing for production well drilling and EPC.

Other Information

Except as discussed above, disclosures of the following information are not applicable for the registrant and its subsidiaries:

Business Development

- Bankruptcy, receivership or similar proceedings
- Material reclassification, merger, consolidation or purchase or sale of a significant amount of asset

Business of the Issuer

- Distribution methods of the products or services
- Status of any publicly-announced new product and services
- Competition
- Transaction with and/or related parties (except those disclosed in the notes to financial statements)
- Patents, trademarks, copyrights, licenses, franchises, royalty, etc.
- Need for any government approval of principal products and services
- Effect of existing or probable governmental regulations on the business
- The amount spent on development activities and its percentage to revenues during each of the last three years.

Anscor and its subsidiaries are not aware of any major risks involved in their businesses.

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 December 31	
	2016	2015
Revenues (excluding investment gains - Note 1)	**939,550**	2,818,056
Investment Gains	**815,206**	1,066,719
Net Income	**1,005,126**	2,725,823
Earnings Per Share	**0.40**	11
Market Price Per Share (PSE)	**6.00**	6.38

Note 1: 2015 included special dividend of ₱1.5 billion paid by PDP to the Parent Company.

Significant financial indicators of the Group are the following:

	12/31/2016	12/31/2015	12/31/2014
1. Book Value Per Share (Note 1)	**13.17**	10.99	11.94
2. Current Ratio (Note 2)	**3.00**	2.13	1.28
3. Interest Rate Coverage Ratio (Note 3)	**20.39**	15.35	34.64
4. Debt to Equity Ratio (Note 4)	**0.29**	0.41	0.41
5. Asset to Equity Ratio (Note 5)	**1.32**	1.44	1.44
6. Profit Ratio (Net Income Attributable to Equity Holders of the Parent/ Total Revenues)	**13.02%**	12.10%	47.9%
7. Return on Equity (Net Income/Equity Attributable to Equity Holders of the Parent)	**9.4%**	9.46%	13.8%

Note 1 – Equity Attributable to Equity Holders 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 Holders of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holders of the Parent

The Key Financial Indicators of our Major Subsidiaries are the following:

PDP Energy and PDIPI

In Million Pesos

	12/31/2016	12/31/2015	12/31/2014
1. Net sales	**6,608**	6,102	6,552
2. Gross profit	**1,358**	1,126	1,123
3. Net income	**751**	574	536

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

	12/31/2016	12/31/2015	12/31/2014
3. Service income	**2,572,502**	1,850,445	1,250,017
4. Cost of services rendered	**2,026,219**	1,468,253	1,018,339
5. Net income	**184,916**	108,864	32,367

Seven Seas Group

In Thousand Pesos

	12/31/2016	12/31/2015	12/31/2014
1. Occupancy rate	**44.4%**	47.2%	34.4%
2. Hotel revenue	**678,913**	644,509	527,137
3. Gross operating profit (GOP)	**240,417**	196,728	56,877
4. GOP ratio	**35.4%**	30.5%	11.8%
5. Resort net income	**36,677**	6,261	(41,700)
6. Villa development/ lease net income	**342,867**	159,694	9,406
7. Consolidated net income	**379,544**	165,955	(32,294)

Occupancy rate is based on actual room nights sold over room nights on a 12-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. Villa development operation's net income in 2016 and 2015 amounted to ₱342.9 million (from sale of 2 villas) and ₱159.7 million (from sale of a villa), respectively.

Outlook and Investment Strategy

The healthy economy and the new administration's ambitious economic agenda to increase infrastructure spending and boost tourism offer opportunities for Anscor's investments in Phelps Dodge International Philippines, Inc., Seven Seas Resorts and Leisure, Inc., KSA Realty Corporation and AG&P International Holdings Ltd.

Furthermore, Anscor core investments in Philippine Stock Exchange (PSE)-traded shares are concentrated in power, construction, education, food and beverage, and retail; all sectors that stand to benefit from the economic expansion.

Having a balanced mix of financial and operating assets has traditionally worked well for the Company, so while gains from sale of equities have moderated in recent years, many of the operating holdings experienced record profitability in 2016. Anscor will continue to actively manage the operating and financial assets portfolio with prudence to maximize shareholder value.

Diversification through the years, has strengthened the Company's risk tolerance and has enabled the Company to withstand difficulties in the business climate. It protects the Company from extreme market swings, limits negative impact on the portfolio and allows exposure to different assets. This approach helps shield the Company from some of the impact of volatility and is a solid foundation for an investment strategy over time.

Employees

The Company and the Group as of December 31, 2016, has 23 and 739 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	9	204	213
Rank and file	14	512	526
TOTAL	**23**	**716**	**739**

- The Company and the Group were not subjected to any employees' strike in the past three years nor were there any threatening strike for the ensuing year.

- Employees of the Group are not subject to Collective Bargaining Agreement (CBA).

- The Group provides various employee benefits including health care and retirement benefits and has enjoyed good labor relations in the past.

Properties

Anscor owns and maintains its office at 7/F, Pacific Star Building in Makati City with approximately 2,000 square meters. It also owns the following:

Shipping Centre Bldg., Intramuros, Manila	1 office condo unit/509 sq. meters

Information regarding properties of major subsidiaries and affiliates are:

- PDP Energy plants are situated on an 18.4 hectare property owned by Phelps Dodge's wholly owned subsidiary, Minuet Realty Corporation in the Luisita Industrial Park in San Miguel, Tarlac.

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. Additional 64 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2016.

- AHI has interests in land covering an area of approximately 830.12 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 40.41 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

Other Information:

- The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.

- There were no commitments for major capital expenditures or acquisitions of properties in the next twelve months.

Financial Condition

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

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2016 and 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 ₱1.8 billion offset by cash used in financing activities of ₱1.1 billion.

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

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 ₱202.8 million. The market value of foreign denominated investment in bonds, stocks and funds increased by ₱20.6 million vs. December 31, 2015 values. Unrealized foreign exchange gain related to foreign denominated investments amounted to ₱37.3 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 by the aviation and resort subsidiaries.

Property development in progress

The decrease in property development in progress pertained to cost related to villas sold in 2016 of about ₱285.5 million offset, by additional cost incurred for various development projects.

Prepayments

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

Available for Sale (AFS) Investments

Net increase in this account amounted to ₱945.4 million. There was an increase in market value of AFS investments of about ₱1.2 billion, net addition of ₱292.3 million and unrealized foreign exchange gain of ₱44.0 million, reduced by set up of impairment provision of ₱590.9 million.

Investments and Advances

The increase in investments and advances was mainly due to unrealized foreign exchange gain related to foreign equity investment amounting to ₱53.9 million.

Goodwill

The goodwill from US-based staffing business increased by ₱37.1 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 ₱233.5 million while net additions to property and equipment amounted to ₱180.3 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Investment Properties

The decrease in this account was due to disposal of the lot in Cebu Business Park to a third-party buyer through the sale of 100% outstanding shares of stock of Uptown Kamputhaw Holdings, Inc., formerly APHI.

Other Noncurrent Assets

Change in the account balance can be attributed to the increase in refundable deposits for future maintenance requirements of the aviation and resort subsidiaries.

Notes Payable

The increase in the account was due to availment of short term loan by the medical staffing subsidiary.

Accounts Payable and Accrued Expenses

The increase was mainly attributable to the recorded liabilities for completed projects of the Seven Seas Group. Also, included are payables to the suppliers of the wire manufacturing subsidiary.

Dividends Payable

Increase in the dividends payable was due to dividend checks that were returned by the post office and which remained outstanding as of December 31, 2016 due to problematic addresses of some of the Company's stockholders.

Customer's Deposit for Property Development

The zero balance of the account was due to recognition of revenue/ gain related to sale of 2 villas of Seven Seas.

Income Tax Payable

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

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to ₱635.6 million loan paid by the Parent Company and PDP and unrealized foreign exchange loss of ₱83.3 million from the translation of the foreign denominated loan as of December 31, 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 ₱192.3 million.

Unrealized valuation gains on AFS investments (equity portion)

The increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to ₱1.2 billion from January 1 to December 31, 2016.

Others

There were no commitments for major capital expenditures in 2016.

There was no significant change in the Company's Balance Sheet as of December 31, 2015 versus December 31, 2014 except for the decrease in unrealized valuation gain on AFS investments from ₱P3.2 billion to ₱686.2 million due to the slowdown on prices of Anscor's traded shares.

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.

Revenues

This year's consolidated gross revenues of ₱11.7 billion was higher by ₱1.0 billion from last year revenue of ₱10.7 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by ₱734.3 million or 26.7%, offset by lower investment gains by ₱156.2 million due mainly to lower gain on sale of traded shares. Also, the Group recognized a revenue from the sale of two (2) villas by Seven Seas amounting to ₱635.5 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 due to improvement in its revenues while the increase in cost of goods sold can be attributed to the manufacturing subsidiary.

Operating Expenses

The group reported higher operating expenses for 2016 mainly due to increased expenses of PDP, the staffing business and the resort group for the period ended December 31, 2016.

Cost of Real Estate

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

Foreign Exchange (Gain) Loss

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

Interest Expense

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

Others income (charges) – net

For 2016, the Parent Company provided valuation allowances for AFS investments amounting to ₱590.9 million. Valuation allowances in 2015 were higher at ₱805.2 million.

Provision for Income Tax - net

The current provision for income tax of the group increased due to higher income of PDP, the staffing business and the resort group for the period ended December 31, 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 2016.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2014 (as reported in 2015 SEC 17-A)

There was no significant change in the Company's Balance Sheet as of December 31, 2015 versus December 31, 2014 except for the decrease in unrealized valuation gain on AFS investments from ₱3.2 billion to ₱686.3 million due to the decrease in prices of Anscor's traded shares.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2015 and 2014.

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 ₱1.2 billion offset by cash used in financing activities of ₱781.7 million.

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

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the net disposal for the period of about ₱64.4 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by ₱22.3 million vs. December 31, 2014 values.

Receivables

The increase in receivables was mainly due to receivables of the Resort, the US-based staffing business and the wire manufacturing business.

Inventories

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

Available for Sale (AFS) Investments (current and noncurrent)

Net decrease in this account amounted to ₱2.7 billion. There was a decrease in market value of AFS investments of about ₱2.5 billion offset by net addition to AFS investments of ₱628.4 million for 2015. Also, the Group set up valuation allowances of ₱805.2 million for its investments.

Investments and Advances

The increase in investments and advances were due to equity in net earnings of associates for the period amounting to ₱154.0 million, unrealized foreign exchange gain related to foreign equity investment amounting to ₱119.9 million and additional investments of ₱2.1 million.

Goodwill

The goodwill from US-based staffing business increased by ₱32.6 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 ₱236.8 million while net additions to property and equipment amounted to ₱237.3 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries arising mainly from remeasurement of plan assets.

Other Current Assets/Noncurrent Assets

Change in the account balance can be attributed to the increase in project costs for the remaining villas that are still under construction by Seven Seas and reclassification from noncurrent to other current assets for project costs of Seven Seas. This caused the other noncurrent assets to decrease from ₱191.6 million to ₱100.5 million.

Notes Payable

The decrease in the balance was mainly due to payment of ₱1.5 billion short-term loan of the Parent Company out of cash dividend paid by PDP.

Accounts Payable and Accrued Expenses

The decrease was attributable to payment of liabilities to contractors for ongoing projects of the resort subsidiary and payment of trade payables by PDP and Seven Seas.

Dividends Payable

Decrease in the account was mainly attributable to dividend checks issued and paid last January 7, 2015 but declared in November 2014 at ₱0.20/share. The balance as of December 31, 2015 represents unclaimed dividend checks of stockholders with problematic addresses.

Customer's Deposits for Property Development

The increase in the account was due to additional payments of two villa buyers of Seven Seas.

Income Tax Payable

Movement in the account was attributable to higher tax provision of the Group mainly Seven Seas and PDP for the year 2015.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed to ₱1.2 billion loan availed by PDP, offset by current portion of debt paid by the resort subsidiary and the Parent Company.

Deferred Revenue

The slight decrease in deferred revenue pertained to revenue that was recognized by Cirrus Global, Inc. from payments of its client hospital when the nurses were deployed.

Deferred Income Tax Liabilities

Increase in the account was mainly due to deferred tax effect of the fair value adjustment on unquoted AFS investments, specifically for KSA and Enderun.

Other Noncurrent Liabilities

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

Cumulative Translation Adjustment

The increase includes upward adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC dollar-denominated assets.

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 decrease is mainly attributable to the decline in market values of AFS investments, mainly traded equities, amounting to ₱2.6 billion from January 1 to December 31, 2015.

Others

There were no commitments for major capital expenditures in 2015.

Revenues

This year's consolidated gross revenues of ₱10.6 billion was 148.9% higher than last year's revenue of ₱4.3 billion. This was mainly due to the inclusion of PDP's ₱6.1 billion revenues for the period January 1 to December 31, 2015 which was zero for the year 2014. Higher revenues were registered by the Resort and staffing subsidiaries.

Cost of Goods Sold/Services Rendered

Increase in cost services rendered was mainly attributable to higher cost of services of nurse staffing business and resort operation while cost of goods sold was higher due to the consolidation of PDP's cost for the period January 1 to December 31, 2015 which was zero for the year 2014.

Operating Expenses

Operating expenses increased as a result of consolidation of PDP operating expenses for the period January 1 to December 31, 2015 which was zero for the year 2014.

Interest Expense

The Group reported higher interest charges mainly due to the PDP and parent company's long-term loans.

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, partially offset by foreign exchange gain on foreign currency denominated investment holdings of the Parent Company.

Other Income (Charges) – net

Change in the account was mainly due to valuation allowances of ₱802.8 million recorded by the parent company for its investments.

Provision for Income Tax - net

The current provision for income tax of the group increased due to consolidation of PDP's income tax expense for the period January 1 to December 31, 2015.

Noncontrolling interest (statements of income)

Increase in minority interest was mainly due to share of minority shareholders in net income of resort, aviation subsidiary, Cirrus Medical Staffing, Inc. and Cirrus Global, Inc. for the period ended December 31, 2015.

<u>Year Ended December 31, 2014 Compared with Year Ended December 31, 2013 (as reported in 2014 SEC 17-A)</u>

There was no significant change in the Company's Balance Sheet as of December 31, 2014 versus December 31, 2013.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2014 and 2013:

Cash and Cash Equivalents

The increase in cash and cash equivalents can be attributed to consolidation of PDIPI putting in additional cash of about ₱661.0 million to the Group.

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

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 ₱125.3 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by ₱9.5 million vs. December 31, 2013 values.

Receivables

The increase in receivables was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Inventories

Inventories increased by ₱817.5 million; one of the reasons was the consolidation of PDIPI inventories. Also, minimal purchases were made in 2014 for spare parts and supplies needed by the aviation and resort subsidiaries.

Prepayments

Increase in this account can be attributed mainly to prepaid expenses related to resort operation.

Available for Sale (AFS) Investments

Change in the account can be attributed mainly to the net additions that were mostly in bonds, equity funds and traded equities amounting to ₱554.2 billion. There was a decrease of about ₱445.1 million in market value of AFS investments. Foreign exchange loss from translation of foreign currency-denominated AFS investments amounted to ₱7.8 million.

Valuation allowances on the AFS on its quoted and unquoted equity investments amounted to ₱259.9 million.

Investments and Advances

By consolidating PDIPI, investments and advances decreased by ₱1.2 billion, the recorded value of the 40% holdings of Anscor in PDP Group held as investment in associate as of December 19, 2014. Equity in net earnings of associates for the period amounts to ₱147.1 million and unrealized foreign exchange gain related to foreign equity investment amounted to ₱14.6 million.

Valuation allowances related to long-term investments amounted to ₱440.4 million.

Goodwill

The provisional goodwill that arises from the acquisition of PDIPI amounted to ₱1.4 billion. Goodwill from US-based staffing business increased by ₱4.5 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

The consolidation of PDIPI increases the property and equipment by ₱543.9 million. As required by the new accounting standard for business combination, the net assets of PDIPI were valued at ₱3.4 billion, resulting in an upward adjustment in fair value attributable to property and equipment amounting to ₱707.6 million.

Depreciation charged to operations amounted to ₱132.9 million while additions to property and equipment amounted to ₱196.9 million, mainly attributable to special capital expenditures of the resort subsidiary.

Investment Properties

Change in the account was mainly due to consolidation of newly acquired real estate holding subsidiary, AFC Agribusiness Corporation.

Other Noncurrent Assets

Change in the account balance can be attributed to the increase in villa development cost incurred by Seven Seas.

Notes Payable

The increase in the account can be attributed mainly to short loan obtained by the Parent Company amounting to ₱1.5 billion, proceeds of which were used to purchase the 60% of PDIPI from General Cable.

Accounts Payable and Accrued Expenses

The change in the account was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Dividends Payable

Increase in dividend payable was due to accrual of dividend which was declared in November 20, 2014 and paid on January 7, 2015.

Customers' Deposits for Property Development

The increase in the account was due to additional deposits made by villa buyers.

Income Tax Payable

Movement in the account was attributable to higher tax provision of the Group for 2014.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed mainly to the converted short-term loan to long-term loan by the aviation subsidiary and unrealized foreign exchange loss upon translation of dollar denominated loan of the Parent Company.

Deferred Income Tax Liability

Change in the account was mainly due to deferred tax effect of the fair value adjustment on property, plant and equipment of PDIPI amounted to ₱212.3 million (30% of ₱707.6 million).

Cumulative Translation Adjustment

This account included translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC.

Unrealized Valuation Gains on AFS Investments (equity portion)

The decrease in market values of AFS investments from December 31, 2013 to December 31, 2014 amounted ₱437.1 million, net of deferred income taxes. When the AFS assets are sold, the gain was realized and reflected in the consolidated statements of income and removed from the unrealized valuation gains.

Remeasurement on Retirement Benefits

Change in this account pertains to actuarial gain due to higher actual vs. projected rate of return on plan assets.

Others

There were no commitments for major capital expenditures in 2014.

Revenues

This year's consolidated gross revenues of ₱4.2 billion was 20.3% higher than last year's revenue of ₱3.5 billion. Anscor posted higher investment gain due to higher number of traded shares sold in the stock market during the period. Also, the group posted revenue from services and dividend income amounting to ₱2.0 billion and ₱260.9 million, respectively, higher than the revenue reported in 2013.

Cost of Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of services of the resort and nurse staffing business.

Operating Expenses

Increase can be attributed to the higher operating expenses of the parent company, resort and nurse staffing business, mainly caused by higher revenues.

Interest Expense

The Group reported higher charges mainly due to the parent company's long-term loan. 2014 included four (4) quarters of interest expense of the parent company while 2013 only had two (2) quarters of charges.

Foreign Exchange Gain (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 partially offset by foreign exchange gain on its foreign currency denominated investment in financial assets.

Provision for Income Tax - net

The provision for income tax current is slightly due to the parent company minimum corporate income tax and higher income tax reported of the resort subsidiary. Also, there was a significant increase in deferred tax liability recognized by Cirrus Group.

Other Income (Charges)

Other income in 2014 includes recovery of allowances for impairment losses by the Parent Company and insurance claim for business interruption loss by the resort subsidiary.

Noncontrolling Interests (statements of income)

Decrease in minority interest was mainly due to share of minority shareholders on higher losses reported by the resort subsidiary and Cirrus Global, Inc. for the year 2014.

Changes in Accounting Policies

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities, and Philippine Account Standards* (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

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. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

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

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They 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 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 other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact to the Group.

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

  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.

  These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
  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 applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
  The amendments 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.

These amendments do not have any impact on the Group's 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 do not have a material impact on the consolidated financial statements. These include:

- Amendment to 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.

- Amendment to 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 for continuing involvement 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.

- Amendment to 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.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  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.

- Amendment to PAS 34, I*nterim 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).

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2016

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*
  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Other Financial information

- There are no material events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

- There are no off-balance sheet transactions, arrangements, obligations including contingent obligations, and other relationships of the Company with unconsolidated entities or other persons created during the year.

- There were no commitments for major capital expenditures in 2016 and onwards.

- The management has no knowledge of known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenue or income from continuing operations.

- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.

- There is no other change in composition of the registrant, no restructuring, except the business combination mentioned above.

- There is no other material event subsequent to the reporting period that has not been reflected in the financial statements.

Legal Proceedings

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2016, the refund process has remained pending.

   ASAC recognized accruals amounting to ₱1.14 million as of December 31, 2016 and 2015 for the Concessionaire's Privilege Fees which covers the subleasing that the MIAA is set to bill ASAC.

b. ASAC is a defendant in labor lawsuits and claims. As of December 31, 2016 and 2015 management has recognized provisions for losses amounting to ₱5.72 million (see Note 17) that may be incurred from these lawsuits.

c. IAI has a pending lease renewal with MIAA as of December 31, 2016.

d. SSRLI has commitments, litigations and contingent liabilities that arise in the normal course of the SSRLI's operations which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2016 and 2015, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

Financial Statements

1. The financial statements were presented using the classified balance sheet format in accordance with the Philippines Financial Reporting Standards (PFRS).

2. The financial statements were prepared in accordance with the disclosures required by SRC Rules 68 and 68.1, current PFRS/IAS.

3. The consolidated financial statements included disclosures with regards to new accounting standards that the Company and its subsidiaries adopted.

Audited Financial Statements

The audited Financial Statements as of 31 December 2016 are included in pages 14 to 117 while the Statement of Management Responsibility is on page 13 of the 2016 Annual Report in the same CD containing this Information Statement.

Action with Respect to Reports

The following reports/minutes shall be submitted for approval/ ratification:

Approval of Minutes of Annual Meeting of Stockholders on 20 April 2016

The Minutes of Annual Meeting of Stockholders of the Company held on 20 April 2016 ("Minutes") will be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholders' approval and action on those items had already been obtained in that meeting and subsequently carried out.

The Minutes and related records are available for inspection at the office of the Company during business hours. In addition, copies of the Minutes shall be posted at the meeting site.

Summary of the Minutes of 20 April 2016:

In the Annual Stockholders' Meeting the following were taken up:

1. Approval of the Annual Report and Audited Financial Statements as of 31 December 2016 and ratification of all acts, contracts, investments and resolutions of the Board as set forth in the minutes of the Board of Directors.

2. Election of the members of the Board of Directors.
3. Appointment of external auditors.

In the organizational meeting that followed after the Stockholders' Meeting, the Executive Officers were re-elected and the members of the Audit Committee, Executive Committee, Compensation and Nomination Committees were re-appointed.

Approval of 2016 Audited Financial Statements

The Audited Financial Statements of the Company for the period ended 31 December 2016 will be submitted for approval of the stockholders at the Annual Meeting.

SGV had examined the Financial Statements in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of the presentation in their report to the Board of Directors and Stockholders of the Company. The information and representation in the Financial Statements are the responsibility of Company's Management.

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since March 2, 2016 Meeting.

As a matter of corporate policy, Management seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since 2 March 2016. These are reflected in the Minutes of the meetings of the Board of Directors in their regular reports and disclosure to the Securities and Exchange Commission, and the Philippine Stock Exchange, and in the 2016 Annual Report of the Company. For reference, attached herewith (Annex A) is a list of all the resolutions approved by the Board of Directors since 2 March 2016 which are the subject of ratification by the stockholders.

Voting Procedures

SyCip Gorres Velayo & Co., the Independent Auditors elected as Board of Election Inspectors in the last Annual Meeting, has signified no changes in the voting procedures, which will be the same as in the previous years.

Stockholders as of 20 March 2017 may vote at the scheduled Stockholders Meeting.

Registration of stockholders and proxies attending the meeting will open at 9:00 a.m. on 19 April 2017.

As in previous meetings of stockholders, considering that only seven (7) were nominated to fill the seven (7) seats of the Board of Directors, there was no balloting.

In case of balloting, only stockholders and proxies who have previously registered will be given ballots. The ballots will be distributed at the registration booths. Upon being given a ballot, a stockholder/ proxy should sign the stockholder/proxy registration list beside his/her signature placed earlier during registration.

After casting his/her vote, the stockholder/proxy may place his/her ballot inside any of the ballot boxes clearly marked as such and located at designated areas at the place of the meeting. Stockholders/proxies will be given a sufficient period of time to vote. Thereafter, SyCip Gorres Velayo & Co. will proceed to collect the ballot boxes and canvass the votes.

All questions and elections shall be decided by majority vote of stockholders present and in proxy and entitled to vote thereat.

Other Matters

As of the date hereof, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting. If other matters come before the meeting, the proxy holders will vote in accordance with his best judgment with respect to such matters that are not known to the solicitors at a reasonable time before the solicitation is made.

The Company shall provide to the stockholders, without charge, on written request the Annual Report of the Company on SEC Form 17-A. All such requests for a copy of the Annual Report shall be directed to the Corporate Secretary, 7th Floor Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, Philippines.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 27 March 2017.

LORNA PATAJO-KAPUNAN
Corporate Secretary

Market Information

The Principal Market where the registrant's Common equity is traded:

Philippine Stock Exchange
Latest Market Price – 28 February 2017

Previous close	High	Low	Close
6.41	6.46	6.30	6.43

The following are the high and low sales prices of the shares of the Company for each quarter within the last two fiscal years:

	2016		2015	
Quarter	High	Low	High	Low
First	6.30	5.81	7.25	6.62
Second	6.28	5.95	7.25	6.66
Third	6.50	6.00	7.09	6.01
Fourth	6.20	5.71	6.78	6.01

Source: PSE Report

The total number of stockholders/accounts as of 28 February 2017 is 11,223 holding 2,500,000,000 shares of common stock.

Dividends

In 2016, the Board of Directors declared the following cash dividends:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	0.20	2-Mar-16	23-May-16	20-Apr-16

The cash dividends declared by the Board of Directors in 2015 was:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	0.10	15-Apr-15	06-May-15	20-May-15

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of 31 December 2016, the Company has sufficient retained earnings available for dividend declaration.

Security Holders

The top 20 stockholders as of 28 February 2017 are as follows:

	Stockholder Name	Number of Common Shares	% of Ownership
1.	Anscor Consolidated Corporation	902,172,303	36.087
2.	PCD Nominee Corp. (Filipino)	508,805,428	20.352
3.	PCD Nominee Corp. (Non-Filipino)	506,401,252	20.256
4.	A-Z Asia Limited Philippines, Inc.	169,646,329	6.786
5.	Universal Robina Corporation	64,605,739	2.584
6.	Philippines International Life Insurance Co., Inc.	55,002,875	2.200
7.	Andres Soriano III	50,490,265	2.010
8.	C & E Holdings, Inc.	28,011,922	1.120
9.	Edmen Property Holdings, Inc.	27,511,925	1.100
10.	MCMS Property Holdings, Inc.	26,513,928	1.061
11.	Express Holdings, Inc.	23,210,457	0.928
12.	EJS Holdings, Inc.	15,518,782	0.621
13.	Intelli Searchrev Corporation	8,785,600	0.351
14.	DAO Investment & Management Corporation	8,628,406	0.345
15.	Philippines Remnants Co., Inc.	7,554,760	0.302
16.	Astrea Bizzara Corporation	3,292,615	0.132
17.	Balangingi Shipping Corporation	2,767,187	0.111
18.	Northpaw Incorporated	2,705,000	0.108
19.	Jocelyn C. Lee	2,000,000	0.080
20.	Lennie C. Lee	2,000,000	0.080
	Total	2,415,624,773	96.614

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

ANNEX A

Resolutions Approved During the Meetings of the Board of Directors of A. Soriano Corporation for the Period March 2, 2016 to February 22, 2017

1. **Board Meeting held on March 2, 2016**

1.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of A. Soriano Corporation for the year ended December 31, 2015 is hereby approved.

1.2 The Board proceeded to approve the record date, proxy validation date and the date of the Annual Stockholders' Meeting as follows:

Record Date – March 21, 2016
Proxy Validation Date – April 12, 2016
Date of Stockholders' Meeting – April 20, 2016

1.3 RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, a cash dividend of Twenty Centavos (₱0.20) per share on the common stock of the Corporation, payable on April 20, 2016, to all stockholders of record as of the close of business on March 23, 2016, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

1.4 RESOLVED, as it is hereby resolved, that the Corporation is hereby authorized to appropriate the amount of ₱100.0 million from the Corporation's unrestricted retained earnings, which appropriation shall be used for the Company's investment program within the next three years on business activities related to the service sector, tourism and manufacturing, whether based in the Philippines or offshore.

1.5 RESOLVED, as it is hereby resolved, that the Board of Directors of A. Soriano Corporation, through its subsidiary, Anscor International, Inc. (the "Corporation") empowers and authorizes the Corporation to enter into, sign, execute and deliver the Memorandum of Agreement with Prople Limited (the "Issuer"), whereby the Corporation agrees to the issuance of new Common Shares, conversion of Convertible Notes into Common Shares and subscription of Preferred Shares in the amount of US Dollars 212,388.00 under such terms and conditions as may be for the best interest of the Corporation.

RESOLVED, FURTHER, that ERNEST K. CUYEGKENG, is hereby empowered and authorized to represent and act for and on behalf of the Corporation, and to sign, execute and deliver the aforesaid Memorandum of Agreement and such other documents required under the said agreement.

1.6 RESOLVED, as it is hereby resolved, that the Corporation be authorized to open and maintain a Current Account with CHINA BANKING CORPORATION, Makati Head Office, hereby authorizing the following signatories to sign jointly, execute and deliver any and all documents, including but not limited to application for letters of credit, promissory note, draft, surety agreement, trust receipt, mortgages, pledge, assignment, and the like, including renewals/extensions/rollover/restructuring thereof, and to sign, execute and deliver any check, deposit slips, withdrawal slips, application to purchase manager's checks, stop payment order, application for telegraphic transfer, demand draft, specimen cards or any and all documents or papers necessary in order to effectuate the foregoing matters:

Name	Position
Eduardo J. Soriano	Vice Chairman and Treasurer
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer
Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President & Asst. Corporate Secretary

1.7 RESOLVED, as it is hereby resolved, that the Corporation be authorized to open and maintain a Current Account with UNION BANK OF THE PHILIPPINES, Valero Branch, hereby authorizing the following signatories to sign jointly, execute and deliver any and all documents, including but not limited to application for letters of credit, promissory note, draft, surety agreement, trust receipt, mortgages, pledge, assignment, and the like, including renewals/ extensions/rollover/restructuring thereof, and to sign, execute and deliver any check, deposit slips, withdrawal slips, application to purchase manager's checks, stop payment order, application for telegraphic transfer, demand draft, specimen cards or any and all documents or papers necessary in order to effectuate the foregoing matters:

Name	Position
Eduardo J. Soriano	Vice Chairman and Treasurer
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer
Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President & Asst. Corporate Secretary

1.8 RESOLVED, as it is hereby resolved, that ATTY. JOSHUA L. CASTRO, who is the Company's Corporate Information/ Compliance Officer, is authorized to transact for and in behalf of the Company with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) and for this purpose is hereby authorized to sign and file any and all documents pertaining to all the disclosures/ filings of the Company with the SEC and PSE.

2. **<u>Board Meeting held on April 20, 2016</u>**

2.1 RESOLVED, that the Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board of Directors and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2015.

2.2 RESOLVED, that A. Soriano Corporation (the "Corporation") is hereby authorized to acquire Ocmador Philippines, BV's 34,498 common shares (the "Shares") in KSA Realty Corporation under such terms and conditions that may be for the best interest of the Corporation;

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby authorized to sign, execute and deliver, for and on behalf of the Corporation, the Share Purchase Agreement, Escrow Agreement, Deed of Absolute Sale of Shares, Waiver and Release in favor of the Seller, Ocmador Philippines, BV and its Nominees and such other agreements, documents, or instruments that are required or necessary to give full force and effect to this resolution.

The Board likewise passed the following resolutions in connection with the Company's opening of an escrow account in Bank of the Philippine Islands for the above additional shares in KSA:

RESOLVED, as it is hereby resolved, that the Corporation be as it is hereby authorized to appoint the BANK OF THE PHILIPPINE ISLANDS acting through its Asset Management and Trust Group ("the Bank") as Escrow Agent in relation to the Share Purchase Agreement that is proposed to be executed between and among Shang Properties, Inc., and A. Soriano Corporation as the Buyers, and Ocmador Philippines BV as the Seller, for the sale and purchase of Ocmador's twenty percent (20%) equity in KSA Realty Corporation, and to invest in any of the savings, time deposit, trust and investment products being offered by the Bank, or any of its subsidiaries and affiliates, such as but not limited to Special Deposit Account, Unit Investment Trust Funds, Mutual Funds, etc.;

RESOLVED, that Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, ("authorized signatory"), is hereby authorized to make, execute, sign, acknowledge and deliver the Escrow Agreement and all subsequent documents, agreements, deeds or contracts, instructions and requests, including waivers, releases, or other instruments in writing, relative to and in connection with the opening, management and closing/termination of an Escrow Account with the Bank including the right to receive the printed copies of the reports from the Bank through its Asset Management & Trust Group. The authorized signatory shall also have the discretion to dispense with the printed copies of the financial statements and instead issue a written instruction/application acceptable to the Bank that they will avail of the Bank's financial reporting online at the following website, www.bpiassetmanagement.bpi.com.ph and/or www.bpiexpressonline.com;

RESOLVED, FINALLY, that the authorized signatory above shall be authorized to constitute and delegate another person through the execution of a letter of instruction or Special Power of Attorney acceptable to the Bank as they may deem fit and proper, for the purpose of receiving any or all of the AMTG Reports.

2.3 RESOLVED, as it is hereby resolved, that the Corporation is hereby authorized to enter into a Revised Listing Agreement with the Philippine Stock Exchange under such terms and conditions as may be for the best interest of the Corporation.

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng, Executive Vice President and Chief Financial Officer, is hereby authorized to sign the Revised Listing Agreement and/or such other documents that may be required to give full force and effect to this resolution.

3. **Board Meeting held on August 25, 2016**

3.1 RESOLVED, as it is hereby resolved, that due to the intended spin-off by Maybank ATR KimEng Capital Partners, Inc. ("MAKE Capital") of its trust operations into a newly established stand-alone trust corporation named, ATRAM Trust Corporation ("ATRAM Trust") and the eventual revocation of MAKE Capital's trust license as a result thereof, the Corporation be authorized and empowered to novate its Investment Management Agreement dated January 15, 2010 with MAKE Capital;

RESOLVED, FURTHER, that any two (2) of the following officers of the Corporation, signing jointly, be hereby authorized to execute any and all documents as may be necessary to migrate its account from MAKE Capital to ATRAM Trust, such as but not limited to account opening documents, written instructions for investment/withdrawal of funds, certifications, amendments or modifications to Agreements, directives, orders, communications, as well as subsequent closure of the Account, with ATRAM Trust Corporation:

Name	Position
Eduardo J. Soriano	Vice Chairman and Treasurer
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer
Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President & Asst. Corporate Secretary

RESOLVED, FURTHER, to approve the release and transfer of the Corporation's files and records with MAKE Capital to ATRAM Trust;

RESOLVED, FINALLY, that the foregoing resolutions shall continue and remain in full force and effect until repealed and/or amended by subsequent resolutions of the Board of Directors and appropriate copies thereof served upon and received by ATRAM Trust.

3.2 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is empowered and authorized to renew its working capital facilities with Banco de Oro (BDO) as follows:

FACILITY	AMOUNT
Credit Line	₱ 400,000,000.00
Domestic Bills Purchase Line	₱ 100,000,000.00
Foreign Exchange Settlement Line	₱ 100,000,000.00

RESOLVED, FURTHER, that any two (2) of the following officers of the Corporation, namely:

Name	Position
Eduardo J. Soriano	Vice Chairman and Treasurer
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer
Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President & Asst. Corporate Secretary

be authorized, as they are hereby authorized, directed and empowered, in the name and for the account of the Corporation, to negotiate for and enter into the foregoing transactions with BDO under such terms and conditions as may be acceptable to the aforementioned officers, and to execute, sign and deliver any and all promissory notes, instruments, agreements, contracts and documents that may be necessary and/or required for the implementation of the foregoing transaction;

RESOLVED, FINALLY, that all transactions, warranties, representations, covenants, dealings and agreements by the aforementioned officers of the Corporation with BDO prior to the approval of this Resolution are all hereby approved, confirmed and ratified to be the valid and binding acts, representations, warranties and covenants of the Corporation.

4. **Board Meeting held on December 1, 2016**

4.1 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Company"), is hereby authorized to sell its Cebu Business Park lot through the sale of shares of Uptown Kamputhaw Holdings, Inc. (formerly Anscor Property Holdings, Inc.), to Skyrise Realty and Development Corporation under such terms and conditions that may be for the best interest of the Company.

RESOLVED, FURTHER, that the Company's Executive Vice President and Chief Financial Officer, Mr. Ernest K. Cuyegkeng, is hereby authorized to sign any and all documents necessary to give full force and effect to the foregoing resolution.

4.2 RESOLVED, as it is hereby resolved, that the Corporation is authorized to invest in Sierra Madre PE Fund under such terms and conditions as may be for the best interest of the Corporation.

RESOLVED, FURTHER, that MR. ERNEST K. CUYEGKENG, Director, is hereby authorized to sign, execute and deliver for and in behalf of the Corporation, the Subscription Agreement and such other documents/ instruments necessary to give full force and effect to the foregoing resolution.

4.3 RESOLVED, as it is hereby resolved, that the Corporation is hereby authorized to appropriate the amount of ₱750 million from the Corporation's unrestricted retained earnings, which appropriation shall be used for the Company's investment program within the next three years on business activities related to the service sector, tourism and manufacturing, whether based in the Philippines or offshore.

4.4 RESOLVED, as it is hereby resolved, that the Corporation be authorized to open and maintain a Peso Current Account (for dividend payments) with BANK OF THE PHILIPPINE ISLANDS, Pacific Star Branch, hereby authorizing the following signatories to sign jointly, execute and deliver any and all documents and to sign, execute and deliver any check, deposit slips, stop payment order, specimen cards or any and all documents or papers that may be necessary and/or required for the implementation of the foregoing transactions;

Name	Position
Eduardo J. Soriano	Vice Chairman and Treasurer
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer
Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President & Asst. Corporate Secretary

5. **Board Meeting held on February 22, 2017**

5.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of A. Soriano Corporation for the year ended December 31, 2016 is hereby approved.

5.2 The Board proceeded to approve the record date, proxy validation date and the date of the Annual Stockholders' Meeting as follows:

Record Date – March 20, 2017
Proxy Validation Date – April 10, 2017
Date of Stockholders' Meeting – April 19, 2017

5.3. RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, a cash dividend of Twenty Centavos (₱0.20) per share on the common stock of the Corporation, payable on April 4, 2017, to all stockholders of record as of the close of business on March 9, 2017, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

5.4 RESOLVED, as it is hereby resolved, that the Board of Directors of the Company approves the updates to its 2016 Annual Corporate Governance Report (ACGR) as follows:

- Date of election and the number of years served of the members of the Board of Directors;
- Directors' Directorship in the Company's Group;
- Shareholdings of Directors in the Company;
- Voting Result of the last Annual General Meeting;
- Programs and seminars attended by the Directors during the year;
- Number of Board meetings during the year and attendance of Directors;
- Aggregate remuneration of Executive Directors, Non-Executive Directors and Independent Directors;
- Remuneration of the Officers of the Company;

- Number of meetings of the Board Committees held during the year and the length of service of its members in their respective Committees;
- Updated profile or qualifications of the Audit Committee members;
- Ownership structure of:
  a. Shareholders/Beneficial Owners
  b. Senior Management of the Company;
- External Auditor's Fee for the year 2016;
- Date of release of 2016 audited financial report;
- Dividend declared by the Company for the year 2016;
- Details of attendance in the 2016 stockholders meeting of the Company; and
- Definitive information statement and management report for 2016

2016
ANNUAL REPORT

A. SORIANO CORPORATION

CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2016.

CHAIRMAN'S MESSAGE

ANDRES SORIANO III

THE ECONOMIC PICTURE AND ANSCOR'S INVESTMENT STRATEGY

In 2016, Philippine Domestic Product grew by 6.8%, an improvement from the previous year's 5.9%. The service sector was steady at 7.5%, government spending increased from 7.8% to 8.3% and household expenditures were up from 6.3% to 6.9%.

In contrast, current account surpluses were smaller due to weaker exports and rising imports. Inflation increased modestly to 1.8% from 1.4% in 2015. The agriculture sector deteriorated from 0.1% to negative 1.3% because key agricultural provinces were affected by typhoons and by the delayed implementation of Government-pledged support for the Sector.

The Philippines stands to benefit from several large public infrastructure projects, which, when completed, can ease current bottlenecks and increasing urban congestion, and boost private investment.

The healthy economy and the new administration's ambitious economic agenda to increase infrastructure spending and boost tourism offer opportunities for our investments in Phelps Dodge International Philippines, Inc., Seven Seas Resorts and Leisure, Inc., KSA Realty Corporation and AG&P International Holdings Ltd.

Furthermore, our core investments in Philippine Stock Exchange (PSE)-traded shares are concentrated in power, construction, education, food and beverage, and retail; all sectors that stand to benefit from the economic expansion.

Having a balanced mix of financial and operating assets has traditionally worked well for your Company, so while gains from sale of equities have moderated in recent years, many of the operating holdings experienced record profitability in 2016. We will continue to actively manage our operating and financial assets portfolio with prudence to maximize shareholder value.

Diversification through the years, has strengthened our risk tolerance and has enabled your Company to withstand difficulties in the business climate. It protects us from extreme market swings, limits negative impact on the portfolio and allows exposure to different assets. This approach helps shield us from some of the impact of volatility and is a solid foundation for an investment strategy over time.

2016 FINANCIAL PERFORMANCE

Highlights

Your Company's consolidated net income of ₱1.5 billion was an improvement over the ₱1.3 billion net profit achieved in the previous year. Consolidated revenues were ₱11.9 billion against ₱10.7 billion in 2015.

On April 20, 2016, your Company paid a cash dividend of ₱0.20 per share or a total of ₱500.0 million.

In June 2016, Anscor increased from 11.3% to 14.28%, its existing shareholdings in KSA, owner of The Enterprise Center located in Ayala Avenue, Makati City.

In December 2016, after extensive review, Anscor took advantage of the buoyant property market in the Cebu Business District and sold its long-held lot in the Cebu Business Park, for a gain of ₱343.2 million.

Your Company paid down ₱340.0 million of principal to end the year with ₱1.6 billion of debt against ₱1.9 billion at the end of 2015.

Your Company's book value per share increased from ₱10.99 to ₱13.17 as of December 31, 2016, due mainly to a recovery in value of our traded equities.

The results and contributions of our operating companies and financial assets are discussed in the ensuing paragraphs.

The Soriano Group Operating Companies

MAJORITY-OWNED SUBSIDIARIES:

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP, a wholly-owned subsidiary of Anscor)

The continued buoyant construction activity pushed PDP's performance to new highs, leading to a 13% increase in sales tonnage and a 31% increase in profits over last year. Despite lower copper prices, PDP revenues increased to ₱6.6 billion from ₱6.1 billion and generated a record profit of ₱750.6 million.

During the year, PDP paid Anscor a cash dividend and management fees of ₱250.0 million and ₱82.0 million, respectively.

The robust performance was due to a multitude of factors that included: value engineering studies to reduce product costs, increased operating efficiencies through lean manufacturing systems, strong partnership with our dealers, management of market price, efficient sales coverage and cost controls. Recent investments in expanded plant capacity have been justified by this year's strong demand.

PDP's continued focus on customer solutions helped it make significant inroads with new customers. New products and services secured for the company significantly large projects.

Highlights included supplying cables to large projects such as the Manila Bay Resort, Kinpo Electronics, Balfour NLEX Project, Solar Philippines Calatagan Solar Farm and Epson Precision; and new products like the space aerial cable for Meralco and the Metal Clad cable for Lancaster Estates.

A solid partnership with dealers significantly increased volume from our dealer network in the mature Greater Manila Area market and in the provinces.

A major accomplishment is PDP's safety record of no incident for the year.

PDP will continue to seek opportunities to offer improved services and products and to explore new markets and product lines.

PDP's continued focus on customer solutions helped it make significant inroads with new customers. New products and services secured for PDP significantly large projects.

CIRRUS MEDICAL STAFFING, INC. (93.6% owned by Anscor)

Demand for temporary health-care staffing in the United States grew by 13% in 2016, driven by a steady decline in the US national jobless rate and continued increase in hospital admissions. Increased patient volumes drove robust demand across all areas of health-care staffing and demand for nurses continued to outpace supply.

The national unemployment rate for registered nurses remains below 2%. In the medium term, demand will be underpinned by an ageing US and clinical population.

In 2016, Cirrus' consolidated revenue exceeded the growth of the industry and reached an all-time high of ₱2.6 billion, a 39% increase over 2015. The Travel Nursing and Travel Allied business units grew by 44% and 42%, respectively. With the increased demand, Cirrus selectively added throughout the year to its sales, finance and back office capabilities.

Consolidated operating income was ₱293.4 million, a 67% increase over that of 2015. Improved profitability was driven by top line growth, steady gross margins and the control of sales and general administration expenses.

For the year 2016, Cirrus paid Anscor ₱315.5 million through the redemption of preferred stock and cash dividends.

Cirrus also joined the ranks of the Top 50 Largest Travel Nursing Companies and the Top 100 Fastest Growing Staffing companies. Both citations testify to the hard work and dedication of Cirrus teams in the US and in the Philippines.

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SEVEN SEAS RESORTS AND LEISURE, INC. (Owner of Amanpulo Resort, 62.3% owned by Anscor)

Amanpulo generated 6,503 room nights and total revenue of ₱678.9 million, a 5.3% improvement over last year. Lower occupancy was offset by an increase in the average room rate due to the depreciation of the Peso against the US dollar. Room nights from local tourists continued to increase while bookings from foreign visitors fell.

The number of villas in the rental pool increased as new villas became operational last December and total villa nights sold increased by 29%. The Resort's share in the villa revenue increased by 25.6% to ₱94.3 million.

Higher revenues from the casitas and villas raised gross operating profit from 30.6% to 35.5%, an increase of ₱43.7 million. Two villas sold in 2016 generated a one-time gain of ₱331.0 million. Total consolidated net income of the Group rose from ₱166.0 million in 2015 to ₱379.5 million in 2016, of which ₱236.4 million accrued to Anscor.

Capital improvements have focused on enhancing the cost structure and environment preservation. A new desalination plant is operating, all golf carts are solar-powered and an energy-efficient new power-generating unit will be installed in the second quarter of 2017.

MINORITY-OWNED COMPANIES:

AG&P INTERNATIONAL HOLDINGS LTD. (27.07% owned by Anscor)

In 2016, as a result of the recovery of all costs accrued in the preceding years, AG&P Group delivered US$148.5 million of revenue and a net income of US$30.5 million. Further accomplishments included a significant reduction of corporate overhead from US$40.0 million in 2015 to US$19.3 million in 2016, paying down approximately one-third of outstanding debt and extending the term of the remaining loans.

AG&P had its first major win in the Philippine power space in the last two decades and was awarded the site erection work for the boiler, the most critical package of the Masinloc power plant expansion. This emphasizes its re-emergence as an important contractor in the domestic market.

Other project awards for AG&P were a signed contract with Fluor for the first package of the Tesoro Refinery Upgrade in Washington State, USA, and the structural steel fabrication for Lycopodium Minerals.

AG&P also acquired a stake in Gas Entec, giving the company a strong Liquefied Natural Gas (LNG) design capability and full Engineering, Procurement and Construction (EPC) credentials across the LNG supply chain, including case studies. AG&P also entered into a joint venture with Risco Energy to develop the LNG supply chain across Indonesia.

Old equipment in its Bauan Yard were replaced with state-of-the-art automated manufacturing systems, increasing theoretical module assembly to 125,000 tons per year.

While modularization will remain a key pillar, AG&P will focus on being a full integrator of LNG supply chains, aiming to become a leading tolled gas company.

ENDERUN COLLEGES, INC. (20% owned by Anscor)

For the fiscal year June 1, 2015 to May 31, 2016, Enderun Colleges posted a consolidated income before tax of ₱109.4 million. Enderun's adjusted EBITDA for the fiscal year was ₱160.9 million, 15.6% higher than the previous year.

Enderun's student population has grown close to 1,200 full-time college and certificate students, spread evenly across the school's three main degree offerings, Hospitality Management, Business Administration and Entrepreneurship.

School years 2016-17 and 2017-18 are expected to be challenging with the implementation of the Government's K to 12 program which added two years of senior high school, delaying typical university enrolment patterns for those years. Enderun has partially mitigated the impact by growing its ancillary educational offerings outside the College.

One such offering, Enderun Extension, its continuing education unit, saw its revenues rise 27.5% year-on-year to ₱89.5 million. A key driver has been the College's language training and tutorial business, as well as its language training camps offered to Korean and Japanese students. The College now hosts several yearly conferences with topics ranging from data analytics to restaurant entrepreneurship.

Another area of growth is the College's hotel management and consultancy arm, Enderun Hospitality Management (EHM), which operates over a dozen boutique hotel properties. EHM grew by 155.9% year-on-year and is expected to deliver double-digit growth rates in the years to come.

Enderun continues to strengthen its brand across the education, hospitality management, and food and beverage sectors as well.

For the calendar year 2016, Enderun paid cash dividends of ₱106.8 million, of which ₱21.9 million accrued to Anscor.

KSA REALTY CORPORATION (14.28% owned by Anscor)

Despite new office spaces opening up in the Makati Central Business District and the nearby Bonifacio Global City, KSA continues to enjoy positive occupancy and rental rates.

KSA began 2016 with more than 34,000 sq.m. or 40% of its leasable spaces up for renewal. However, 89% of existing tenants eventually committed to stay in the building and most of the remaining vacant spaces were leased to new tenants. Occupancy at end of 2016 was at 97%.

Average rental yields are among the highest in Makati and by the end of the year, stood at ₱1,190 per sq.m. compared with ₱1,110 at the end of the previous year.

The higher occupancy and rental yield translated into a 10% increase in rental income of ₱1.1 billion and a net income of ₱877.0 million, 11% higher than last year's net income, before gain on revaluation. KSA declared and remitted cash dividends of ₱800.0 million, of which ₱114.2 million was paid to Anscor.

Financial Assets

The slowdown in the stock market in the second half of 2016 contributed to the lower gain on the sale of traded shares, from ₱1.09 billion in 2015 to ₱0.56 billion in 2016. Similarly, the significant decline in market price of International Container Terminal Services, Inc., (ICTSI) as compared to our cost resulted in the take-up of the impairment provision in 2016 amounting to ₱590.9 million which was mandated by the accounting rules.

On the other hand, the value of our unsold investments in other traded shares, bonds and equity funds increased by ₱1.2 billion which was reflected in the balance sheet and comprehensive income. The gains will be recognized upon the sale of these investments.

Our core investments in traded shares generated a dividend income of ₱82.7 million, lower than the ₱125.4 million dividends in 2015, due to the reduced size of the equity portfolio. These investments include ICTSI, Aboitiz Power Corporation, Megawide Construction Corporation, and iPeople (which operates the Mapua Institute of Technology).

Interest income of ₱95.3 million was slightly higher than the results of the previous year. The loss reported in 2015 on our FVPL investments reversed to a gain of ₱20.6 million in 2016.

With the depreciation of the Philippine peso against the US dollar, the value of Anscor's foreign currency-denominated investments improved and net of a foreign exchange loss on its dollar loans, the Company posted a consolidated foreign exchange gain of ₱5.4 million in 2016 against a loss of ₱28.9 million last year.

STARTUP VENTURES

A small portion of your Company's assets are dedicated to early stage opportunities with the potential for large upside.

In 2015 and 2016, Anscor, through its wholly-owned subsidiary, invested in ***Y-mAbs Therapeutics, Inc.*** YmAbs is a US-based clinical stage biopharmaceutical company focused on developing new cancer treatments through immunotherapies. Its treatments could potentially reduce longer-term toxicities associated with current chemotherapeutics and provide the potential for curative therapy even for patients with widespread disease.

YmAbs' goal is to drive multiple product candidates to US Food and Drug Administration licensure. Each candidate has the potential to treat a variety of high-risk cancers.

BehaviorMatrix, LLC is a US-based data analytics firm focused on developing and bringing to market its first commercial product called "Active Insight," which will analyze consumer emotion towards specific consumer segment and brands, based on predefined analytics.

In 2014, Anscor entered into a convertible loan to explore multiple geothermal concessions owned by the ***Red Core Group.*** To date, potential geothermal energy resources have been identified within the Tiaong-Dolores, Tayabas-Lucban and San Juan, Batangas contract areas. The group is currently seeking financing for production well drilling and eventually EPC.

CORPORATE SOCIAL RESPONSIBILITY

The Andres Soriano Foundation (ASF) would like to thank its partners, donors and stakeholders for their continued support of ASF's social development efforts. Their continued trust enables the Foundation to reach out to more people for an improved quality of life.

Highlights of the Foundation's 2016 activities follow:

Small Island Sustainable Development Program

√ **Economic/Livelihood Component**

ASF is now a staunch advocate of creating community enterprises that bridge island communities to supply chains that fuel inclusive growth in island communities. This year, a total of ₱6.2 million sales transactions between Amanpulo Resort and the Manamoc Livelihood Association were consummated.

Further, pandan weavers from seven island communities were formed and trained to handcraft products made of pandan and buri leaves that abound in the islands. Amanpulo remains the number one buyer of these products.

√ **Environment Protection Program**

The Foundation sustained the protection of 11 marine sanctuaries including a mangrove forest where 34,000 more seedlings were planted compared to only 4,600 last year. ASF in partnership with the San Carlos Fisher's Association in Cuyo agreed to leverage the latter's 116-hectare Marine Sanctuary for a 25-year protection in exchange for a ₱920,000 grant from Seacology-US to build a community learning center.

√ **Health**

This year's medical mission served 3,586 patients and within six months, provided daily supplemental meals to 374 children compared to last year's 710 children. Malnutrition in the assisted islands has gone down with the education of parents and the establishment of sustainable management of bio-intensive organic backyard vegetable production.

Creating livelihood opportunities and market access are key steps to improve the quality of life in island communities.

√ **Education**

Of the 15 technical vocational Scholars, 12 graduated in December 2016 and eight of the 12 graduates are now fully employed. ASF turned over another two-classroom building at the Algeciras Elementary School in Agutaya, Palawan.

√ **Other Services**

The Manamoc Level 2 Water System Project was completed resulting in 66% of households in Manamoc now with access to a potable water supply.

<u>Cancer Care Program</u>

√ ASF was identified as a fund conduit by Pascual Pharma Corporation, United Laboratories and Good Fellow Pharma Corporation of their Oncology Fellowship Program whose beneficiaries are resident doctors at the Cancer Institute and Section of Medical Oncology of the University of the Philippines-Philippine General Hospital (UP-PGH).

√ Twenty two registered nurses completed the specialized oncology nursing course with the commencement activity in October 2015.

ACKNOWLEDGMENT

And if each year, we are able to report to you, our shareholders, the progress made in the businesses, it is because of the unwavering work rendered by the men and women of Anscor and all our companies for which we are grateful.

To our customers, thank you for loyally patronizing our products and services. To our partners, our appreciation for working side by side with us in achieving our corporate goals. And to our valued shareholders, our sincere thanks for the trust and confidence.

On behalf of the Board of Directors, thank you.

FINANCIAL HIGHLIGHTS

(In Million Pesos Except for Ratios and Per Share Data)

CONSOLIDATED FOR THE YEAR	2016	2015	2014
REVENUES	**11,886.3**	10,655.3	3,834.8
Sale of goods (Note 1)	**6,608.2**	6,102.3	–
Services	**3,483.5**	2,747.5	1,983.9
Gain on sale of available-for-sale investments, investments in associates and long-term investments	**898.8**	1,091.2	1,718.0
Sale of real estate	**633.9**	293.0	–
Dividend income	**218.8**	209.7	260.9
Interest income	**95.3**	83.3	96.4
Gain (loss) on increase (decrease) in market values of fair value through profit or loss investments	**20.6**	(25.7)	(9.5)
Equity in net earnings (losses) of associates	**(72.8)**	154.0	(293.3)
Management fee (Note 1)	**–**	–	78.3
NET INCOME*	**1,522.8**	1,282.8	2,041.1
EARNINGS PER SHARE**	**1.24**	1.03	1.63
CONSOLIDATED AT YEAR-END	**2016**	2015	2014
Total Assets	**21,527.5**	19,552.4	21,426.4
Equity Attributable to Equity Holders of the Parent	**16,234.7**	13,556.7	14,835.2
Investment Portfolio	**13,196.6**	11,859.4	14,310.0
Current Ratio	**3.00**	2.13	1.27
Debt to Equity Ratio	**0.29**	0.41	0.41
Book Value Per Share***	**13.17**	10.99	11.94

Note 1 PDP Group's revenues, costs and expenses were not included in 2014 since PDP was still an associate then. In 2015, PDP Group was consolidated when Anscor increased its holding from 40% to 100%. Management fee from PDP Group was eliminated in the line by line consolidation in 2015 and 2016.

** Attributable to equity holders of the parent.*

*** Based on weighted average number of shares of 1,232.7 million in 2016, 1,244.6 million in 2015 and 1,254.0 million in 2014 .*

**** Based on outstanding shares of 1,232.6 million, 1,233.7 million and 1,242.1 million as of December 31, 2016, 2015 and 2014, respectively.*

THE SORIANO GROUP'S KEY FINANCIAL DATA

(In Million Pesos)

	2016	2015
PHELPS DODGE PHILIPPINES ENERGY PRODUCTS CORPORATION (NOTE 1)		
Revenues	**6,608**	6,102
Net Income	**751**	574
Total Assets	**3,905**	3,489
Equity	**2,379**	1,872
CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES		
Revenues	**2,573**	1,851
Net Income	**185**	109
Total Assets	**1,151**	1,041
Equity	**515**	912
SEVEN SEAS RESORTS AND LEISURE, INC.		
Revenues (resort and villa development operations)	**1,322**	994
Net Income (Note 2)	**380**	167
Total Assets	**1,631**	1,799
Equity	**1,113**	732
REVENUES – OTHER AFFILIATES		
KSA Realty Corporation	**1,092**	992
Prople Limited	**270**	442
Enderun Colleges, Inc.	**560**	493
Island Aviation, Inc.	**174**	177
Cirrus Global, Inc. (consolidated; formerly IQMAN)	**108**	64

Available figures as of March 3, 2017.
Note 1: Inclusive of PD Energy International Corporation's financial information.
Note 2: Including villa development division's net gain on sale of villas of ₱331.0 million in 2016 and ₱113.0 million in 2015.

FIVE-YEAR REVIEW

Consolidated Financial Information

(In Million Pesos Except Per Share Data)

YEAR	NET INCOME	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2016	**1,522.8**	**16,234.7**	**1,232.7**	**1.24**	**13.17**
2015	1,282.8	13,556.7	1,244.6	1.03	10.99
2014	2,041.1	14,835.2	1,254.0	1.63	11.94
2013	1,358.0	13,637.9	1,261.0	1.08	10.82
2012	1,467.9	12,211.7	1,374.3	1.07	9.71

YEAR	GROSS ***REVENUE	TOTAL ASSETS	INVESTMENT PORTFOLIO
2016	**11,886.3**	**21,527.5**	**13,196.6**
2015	10,655.3	19,552.4	11,859.4
2014	3,834.8	21,426.4	14,310.0
2013	3,525.1	17,326.5	14,721.3
2012	3,716.5	13,949.9	11,551.6

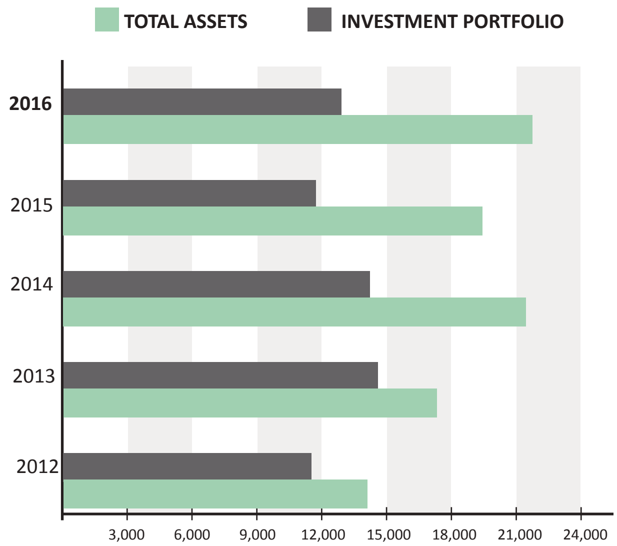
* *Ratio of net income attributable to equity holders of the parent to weighted average number of shares outstanding during the year.*

** *Ratio of equity attributable to equity holders of the parent to outstanding number of shares as of end-December.*

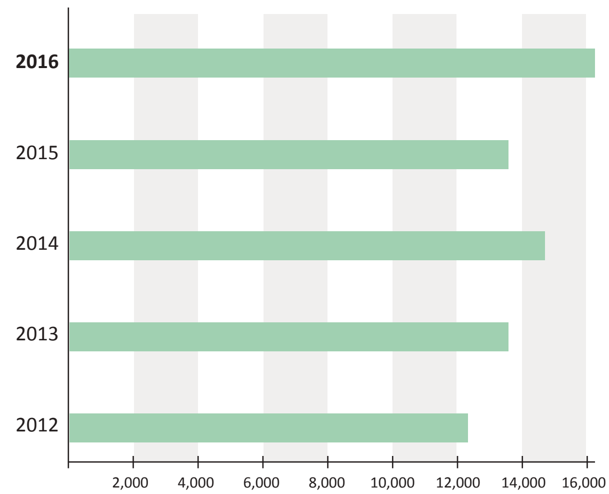
*** *2015 and 2016 included PDP Group's gross revenues.*

(In Million Pesos)

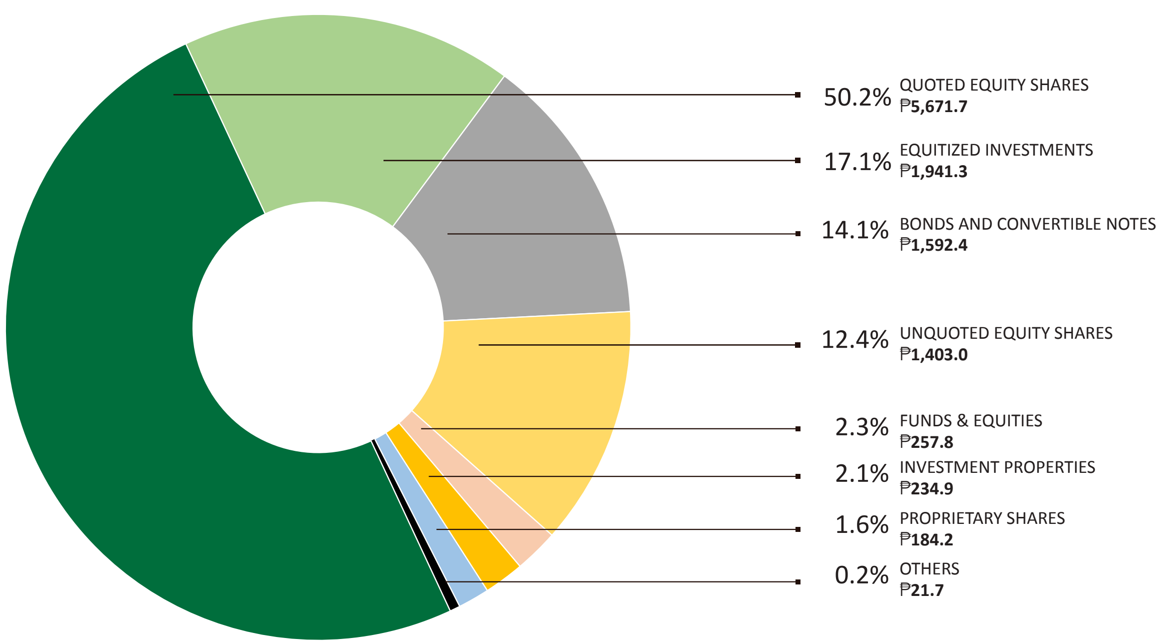
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS (Note 1) DECEMBER 31, 2016



Note 1: Goodwill of ₱1.9 billion is not included.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ANDRES SORIANO III
Chairman & Chief
Executive Officer/President

ERNEST K. CUYEGKENG
Executive Vice President &
Chief Financial Officer

Signed this 22th day of February 2017

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 22th day of February 2017, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE OF ISSUE
Andres Soriano III	506368805	Jan. 14, 2015 to Jan. 13, 2025/U.S.
Ernest K. Cuyegkeng	EB4390925	Jan. 31, 2015 to Jan. 30, 2020/Manila

Doc. No. 71;
Page No. 16;
Book No. XVI;
Series of 2017.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-155; Roll No. 20642
Commission expires on 12-31-18
PTR No.5330045; 1-12-17; Makati City
IBP No. 1032456; 11-24-16; Pasig City
TIN: 100-364-501

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015 valid until November 9, 2018

The Board of Directors and Stockholders
A. Soriano Corporation

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The goodwill disclosed in Note 6 to the consolidated financial statements amounted to ₱1,889.5 million as at December 31, 2016, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimations to assumptions and judgment involved. In assessing the recoverability of the Group's goodwill from the acquisitions of Cirrus Medical Staffing, Inc., Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc., management exercised significant judgments and used assumptions such as revenue growth rates, operating margins, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

Audit response

We obtained an understanding of management's process in estimating the recoverable amount of goodwill based on the CGUs' value-in-use and evaluated the design of the relevant controls. We involved our internal specialist in evaluating the valuation methodology and assumptions used by management in estimating value-in-use. These assumptions include revenue growth rates, operating margins, discount rates and long-term growth rates. We compared the growth rates and operating margins used against the historical performance of the CGUs. In testing for the discount rates, our internal specialist performed independent testing on the derivation of discount rates using market-based parameters. In addition, we reviewed the disclosures in the consolidated financial statements related to the key assumptions used and the sensitivity of the estimates to these key assumptions particularly those to which the impairment test is most sensitive.

Recoverability of Investments in Associates

In 2016, the Group identified indicators of possible impairment in its investments in associates and, as required in PFRS, assessed the recoverability of its investments. In assessing the recoverable amounts, management estimated the expected cash flows from the operations of the associates. Management also applied judgment in selecting the valuation model to be used and assumptions such as revenue growth rates, discount rates and long-term growth rates. The investments in associates, as disclosed in Note 12 to the consolidated financial statements, amounted to ₱1,941.3 million as at December 31, 2016, which is material to the consolidated financial statements.

Audit response

We obtained an understanding of the management's process in identifying impairment indicators and in estimating the recoverable amount of its investments in associates. We also evaluated the design of the relevant controls. We met with management to understand the current business operations of its associates and whether these are considered in the Group's assumptions. Furthermore, we involved our internal specialist in evaluating the model used in estimating the equity value of the investments used by the Group and the assumptions in estimating the associates' cash flows. These assumptions include revenue growth rates, discount rates and long-term growth rates. We compared the revenue growth rates to the historical performance of the associates. In testing for the discount rates, our internal specialist performed independent testing on the derivation of discount rates using market-based parameters. We also reviewed and tested the sensitivity of the present value of discounted cash flows to changes in key assumptions particularly those to which the recoverable amount is most sensitive.

Valuation of Unquoted Available-for-Sale (AFS) Equity Instruments

The valuation of unquoted AFS equity investments is a key audit matter because the carrying value amounting to ₱1,403.0 million as at December 31, 2016 is material to the consolidated financial statements. In valuing the Group's unquoted AFS equity instruments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group. The Group's disclosures about unquoted AFS instruments are included in Note 11 to the consolidated financial statements.

Audit response

We obtained an understanding of management's process in the valuation of unquoted equity instruments and evaluated the design of the relevant controls. We involved our internal specialist in evaluating the valuation technique, assumptions used in estimating expected dividends and share in realization of investment property applied by the Group. The assumptions used include revenue growth rates, operating margins, discount rates and long-term growth rates. We compared the revenue growth rates and operating margins to the historical performance of the investments. We also involved our internal specialist in evaluating management's forecasted and discounted cash flows through quantitative and qualitative review of the assumptions. In testing for the discount rates, our internal specialist performed independent testing on the derivation of discount rates using market-based parameters. For investments where cost is deemed as an appropriate estimate of fair value, we reviewed available information related to the investments and assessed contrary indicators affecting the estimated fair value.

Provisions and Contingencies

The Group is subject to examinations by tax authorities which may result to taxation issues due to different interpretation of tax laws, rulings and jurisprudence. Evaluating the completeness and proper valuation of provisions for tax exposures was significant to our audit because it requires application of significant estimates and judgment by management. There is also uncertainty over the outcome of these tax examinations. Any change on these assumptions and estimates could have a material impact on the Group's consolidated financial statements. The disclosures on the Group's contingencies are included in Note 30 to the consolidated financial statements.

Audit response

Our audit procedures included, among others, the involvement of our internal specialist in reviewing management's tax position and in evaluating the potential tax exposures by considering the correspondences with the relevant tax authorities and the opinion of the Group's third party tax consultants.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Julie Christine O. Mateo.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908742, January 3, 2017, Makati City

February 22, 2017

CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱ **2,403,739,518**	₱ 1,774,319,172
Fair value through profit or loss (FVPL) investments (Note 8)	**769,680,131**	508,976,634
Receivables - net (Notes 9 and 16)	**2,167,501,893**	1,994,603,406
Inventories - net (Note 10)	**683,916,919**	700,984,189
Property development in progress (Note 29)	**3,177,197**	175,812,028
Available-for-sale (AFS) investments - current (Notes 11 and 18)	**47,728,517**	56,786,078
Prepayments	**18,676,972**	23,918,081
Other current assets (Note 29)	**151,400,689**	81,897,555
Total Current Assets	**6,245,821,836**	5,317,297,143
Noncurrent Assets		
AFS investments - net of current portion (Notes 11 and 18)	**8,313,497,196**	7,358,993,331
Investments and advances (Note 12)	**1,943,573,979**	1,824,260,087
Goodwill (Note 6)	**1,889,496,064**	1,852,422,215
Property and equipment (Notes 13 and 18)	**2,648,731,039**	2,701,877,014
Investment properties (Notes 14 and 29)	**234,877,835**	260,569,744
Retirement plan asset - net (Note 23)	**60,191,266**	59,482,997
Deferred income tax assets - net (Note 24)	**62,304,841**	59,195,709
Other noncurrent assets (Notes 15 and 29)	**129,006,778**	118,282,486
Total Noncurrent Assets	**15,281,678,998**	14,235,083,583
TOTAL ASSETS	₱ **21,527,500,834**	₱ 19,552,380,726
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 16)	₱ **91,948,200**	₱ 26,197,832
Accounts payable and accrued expenses (Notes 17 and 30)	**969,798,809**	916,122,968
Dividends payable (Note 19)	**242,208,406**	229,648,921
Customers' deposits for property development (Note 29)	**–**	597,268,360
Income tax payable	**141,744,752**	85,381,137
Current portion of long-term debt (Note 18)	**629,350,200**	638,070,546
Total Current Liabilities	**2,075,050,367**	2,492,689,764

(Forward)

CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	₱ **1,916,231,143**	₱ 2,459,835,814
Deferred revenues (Note 29)	**8,601,560**	10,117,900
Deferred income tax liabilities - net (Note 24)	**600,160,058**	502,874,235
Retirement benefits payable - net (Note 23)	**4,211,769**	6,666,773
Other noncurrent liabilities (Notes 15 and 29)	**175,746,074**	145,275,611
Total Noncurrent Liabilities	**2,704,950,604**	3,124,770,333
Total Liabilities	**4,780,000,971**	5,617,460,097
Equity Attributable to Equity Holders of the Parent (Note 19)		
Capital stock - ₱1 par value	**2,500,000,000**	2,500,000,000
Additional paid-in capital	**1,605,613,566**	1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)	**(26,356,543)**	(26,356,543)
Cumulative translation adjustment	**380,244,251**	187,917,388
Unrealized valuation gains on AFS investments (Note 11)	**1,899,776,724**	686,254,240
Remeasurement on retirement benefits (Note 23)	**37,608,665**	34,992,585
Retained earnings:		
Appropriated (Note 19)	**7,150,000,000**	6,300,000,000
Unappropriated (Note 19)	**4,914,057,124**	4,487,779,074
Cost of shares held by a subsidiary (1,267,406,746 shares and 1,266,300,646 shares in 2016 and 2015, respectively) (Note 19)	**(2,226,272,975)**	(2,219,505,295)
	16,234,670,812	13,556,695,015
Noncontrolling interests (Note 3)	**512,829,051**	378,225,614
Total Equity	**16,747,499,863**	13,934,920,629
TOTAL LIABILITIES AND EQUITY	₱ **21,527,500,834**	₱ 19,552,380,726

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014*
REVENUES			
Sale of goods - net	₱ **6,608,154,597**	₱ 6,102,268,950	₱ –
Services (Note 29)	**3,483,481,253**	2,747,521,027	1,983,852,999
Sale of real estate (Note 29)	**633,912,337**	293,036,415	–
Dividend income (Note 11)	**218,797,811**	209,651,661	260,862,079
Interest income (Notes 7, 8, 11 and 22)	**95,311,627**	83,315,419	96,438,999
Management fee (Notes 9, 26 and 29)	**–**	–	78,344,162
Equity in net earnings (losses) - net (Note 12)	**(72,773,871)**	153,953,858	(293,266,726)
	10,966,883,754	9,589,747,330	2,126,231,513
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments (Note 11)	**555,619,230**	1,091,213,611	1,661,985,514
Long-term investments (Notes 12 and 14)	**343,158,019**	–	56,059,176
Gain (loss) on increase (decrease) in market values of FVPL investments (Note 8)	**20,589,122**	(25,654,441)	(9,487,014)
	919,366,371	1,065,559,170	1,708,557,676
TOTAL	**11,886,250,125**	10,655,306,500	3,834,789,189
Cost of goods sold (Note 20)	**(5,188,332,297)**	(4,931,773,630)	–
Cost of services rendered (Note 20)	**(2,312,578,606)**	(1,809,102,441)	(1,361,515,068)
Cost of real estate sold (Note 29)	**(285,522,793)**	(174,139,992)	–
Operating expenses (Note 20)	**(1,347,769,652)**	(1,168,575,073)	(865,860,283)
Interest expense (Notes 16, 18 and 22)	**(109,007,134)**	(116,599,234)	(61,361,043)
Foreign exchange gain (loss) - net	**5,431,706**	(28,856,549)	(9,962,427)
Other income (charges) - net (Notes 22 and 29)	**(534,484,598)**	(753,600,117)	528,011,135
INCOME BEFORE INCOME TAX	**2,113,986,751**	1,672,659,464	2,064,101,503
PROVISION FOR INCOME TAX (Note 24)	**423,696,067**	309,397,655	29,359,944
NET INCOME	₱ **1,690,290,684**	₱ 1,363,261,809	₱ 2,034,741,559
Net Income Attributable to:			
Equity holders of the Parent	₱ **1,522,796,705**	₱ 1,282,782,660	₱ 2,041,141,959
Noncontrolling interests	**167,493,979**	80,479,149	(6,400,400)
	₱ **1,690,290,684**	₱ 1,363,261,809	₱ 2,034,741,559
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent (Note 25)	₱ **1.24**	₱ 1.03	₱ 1.63

See accompanying Notes to Consolidated Financial Statements.

* *PDP Group's revenues, costs and expenses were not included in 2014 since PDP Group was still an associate. In 2016 and 2015, management fees for PDP Group were eliminated as PDP Group is now a subsidiary and its revenues, costs and expenses were included in the Consolidated Statements of Income.*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014*
NET INCOME	₱ **1,690,290,684**	₱ 1,363,261,809	₱ 2,034,741,559
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains (losses) on AFS investments (Note 11)	**1,186,148,549**	(2,246,929,467)	1,349,350,540
Income tax effect	**(10,935,308)**	(24,996,268)	(15,918,015)
	1,175,213,241	(2,271,925,735)	1,333,432,525
Unrealized (gain) loss of AFS investments, recognized in the consolidated statements of income (Note 11)	**35,279,977**	(285,974,884)	(1,794,468,827)
Income tax effect	**3,029,266**	5,335,427	23,913,736
	38,309,243	(280,639,457)	(1,770,555,091)
	1,213,522,484	(2,552,565,192)	(437,122,566)
Cumulative translation adjustment	**192,326,863**	177,214,950	31,120,016
	1,405,849,347	(2,375,350,242)	(406,002,550)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 23)	**3,451,388**	(8,358,212)	6,403,863
Income tax effect	**(835,308)**	2,507,464	(1,921,158)
	2,616,080	(5,850,748)	4,482,705
OTHER COMPREHENSIVE INCOME (LOSS)	**1,408,465,427**	(2,381,200,990)	(401,519,845)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱ **3,098,756,111**	(₱ 1,017,939,181)	₱ 1,633,221,714
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent	₱ **2,931,262,132**	(₱ 1,098,418,330)	₱ 1,640,262,701
Noncontrolling interests	**167,493,979**	80,479,149	(7,040,987)
	₱ **3,098,756,111**	(₱ 1,017,939,181)	₱ 1,633,221,714

See accompanying Notes to Consolidated Financial Statements.

** PDP Group's other comprehensive income (loss) was not included in 2014 since PDP Group was still an associate.*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent (Note 19)					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on AFS Investments (Note 11)	Remeasurement on Retirement Benefits (Note 23)
BALANCES AT DECEMBER 31, 2013	₱ 2,500,000,000	₱ 1,605,613,566	(₱ 26,356,543)	(₱ 20,417,578)	₱ 3,675,941,998	₱ 35,720,041
Total comprehensive income (loss) for the year	–	–	–	31,120,016	(437,122,566)	5,123,292
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
Appropriation during the year (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2014	2,500,000,000	1,605,613,566	(26,356,543)	10,702,438	3,238,819,432	40,843,333
Total comprehensive income (loss) for the year	–	–	–	177,214,950	(2,552,565,192)	(5,850,748)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱125.8 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 29)	–	–	–	–	–	–
Appropriation during the year (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2015	2,500,000,000	1,605,613,566	(26,356,543)	187,917,388	686,254,240	34,992,585
Total comprehensive income for the year	–	–	–	192,326,863	1,213,522,484	2,616,080
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 29)	–	–	–	–	–	–
Appropriation during the year (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2016	**₱ 2,500,000,000**	**₱ 1,605,613,566**	**(₱ 26,356,543)**	**₱ 380,244,251**	**₱ 1,899,776,724**	**₱ 37,608,665**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent (Note 19)						
		Retained Earnings					
	*Subtotal	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2013	₱ 7,770,501,484	₱ 3,000,000,000	₱ 4,898,587,228	(₱ 2,031,222,641)	₱ 13,637,866,071	₱ 370,038,530	₱ 14,007,904,601
Total comprehensive income (loss) for the year	(400,879,258)	–	2,041,141,959	–	1,640,262,701	(7,040,987)	1,633,221,714
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	(310,524,838)	–	(310,524,838)	–	(310,524,838)
Shares repurchased during the year (Note 19)	–	–	–	(132,426,129)	(132,426,129)	–	(132,426,129)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	11,263,881	11,263,881
Appropriation during the year (Note 19)	–	1,600,000,000	(1,600,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2014	7,369,622,226	4,600,000,000	5,029,204,349	(2,163,648,770)	14,835,177,805	374,261,424	15,209,439,229
Total comprehensive income (loss) for the year	(2,381,200,990)	–	1,282,782,660	–	(1,098,418,330)	80,479,149	(1,017,939,181)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱125.8 million (Note 19)	–	–	(124,207,935)	–	(124,207,935)	–	(124,207,935)
Shares repurchased during the year (Note 19)	–	–	–	(55,856,525)	(55,856,525)	–	(55,856,525)
Movement in noncontrolling interests (Notes 3 and 29)	–	–	–	–	–	(76,514,959)	(76,514,959)
Appropriation during the year (Note 19)	–	1,700,000,000	(1,700,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2015	4,988,421,236	6,300,000,000	4,487,779,074	(2,219,505,295)	13,556,695,015	378,225,614	13,934,920,629
Total comprehensive income for the year	1,408,465,427	–	1,522,796,705	–	2,931,262,132	167,493,979	3,098,756,111
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 19)	–	–	(246,518,655)	–	(246,518,655)	–	(246,518,655)
Shares repurchased during the year (Note 19)	–	–	–	(6,767,680)	(6,767,680)	–	(6,767,680)
Movement in noncontrolling interests (Notes 3 and 29)	–	–	–	–	–	(32,890,542)	(32,890,542)
Appropriation during the year (Note 19)	–	850,000,000	(850,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2016	**₱ 6,396,886,663**	**₱ 7,150,000,000**	**₱ 4,914,057,124**	**(₱ 2,226,272,975)**	**₱ 16,234,670,812**	**₱ 512,829,051**	**₱ 16,747,499,863**

See accompanying Notes to Consolidated Financial Statements.

** Subtotal for numbers of the six columns appearing on page 24.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱ **2,113,986,751**	₱ 1,672,659,464	₱ 2,064,101,503
Adjustments for:			
Loss (gain) on sale of:			
AFS investments (Note 11)	**(555,619,230)**	(1,091,213,611)	(1,661,985,514)
Long-term investment (Notes 12 and 14)	**(343,158,019)**	–	(56,059,176)
Property and equipment (Note 13)	**–**	–	28,151
Valuation allowances - net (Note 22)	**602,056,936**	841,123,370	243,372,491
Dividend income (Note 11)	**(218,797,811)**	(209,651,661)	(260,862,079)
Depreciation and amortization (Note 13)	**234,068,755**	236,767,900	132,907,136
Equity in net losses (earnings) of associates (Note 12)	**72,773,871**	(153,953,858)	293,266,726
Interest expense (Note 22)	**109,007,134**	116,599,234	61,361,043
Interest income (Note 22)	**(95,311,627)**	(83,315,419)	(96,438,999)
Unrealized foreign exchange losses - net	**42,147,356**	62,227,101	32,420,744
Loss (gain) on decrease (increase) in market values of FVPL investments (Note 8)	**(20,589,122)**	25,654,441	9,487,014
Retirement benefit costs (Note 23)	**15,698,052**	16,230,854	11,722,183
Gain on remeasurement of previously held interest (Note 22)	**–**	–	(699,011,094)
Operating income before working capital changes	**1,956,263,046**	1,433,127,815	74,310,129
Decrease (increase) in:			
FVPL investments	**(181,338,815)**	40,316,999	(124,275,601)
Receivables	**(223,054,364)**	(44,016,071)	(17,241,769)
Inventories	**15,482,484**	199,230,246	(39,327,133)
Property development in progress	**172,634,831**	(19,169,531)	–
Prepayments and other current assets	**(12,998,254)**	(55,563,541)	(39,349,178)
Increase (decrease) in:			
Accounts payable and accrued expenses	**53,675,841**	(66,274,258)	282,359,937
Customers' deposit for property development	**(597,268,360)**	215,424,010	224,986,350
Deferred revenues	**(1,516,340)**	(19,597,403)	1,266,987
Net cash generated from operations	**1,181,880,069**	1,683,478,266	362,729,722
Dividends received	**215,498,739**	209,651,661	356,062,079
Interest received	**89,959,658**	83,315,419	98,046,778
Interest paid	**(94,220,605)**	(148,698,157)	(61,361,043)
Retirement benefit contribution (Note 23)	**(17,949,668)**	(20,926,478)	(13,923,949)
Income taxes paid	**(400,069,455)**	(253,933,598)	(12,094,161)
Net cash flows from operating activities	**975,098,738**	1,552,887,113	729,459,426

(Forward)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 11)	**₱ 1,473,209,534**	₱ 3,294,238,365	₱ 5,650,606,104
Long-term investment	**397,120,000**	–	56,059,176
Property and equipment (Note 13)	**1,780,000**	–	–
Additions to:			
AFS investments (Note 11)	**(1,019,866,822)**	(3,426,157,700)	(4,435,277,618)
Property and equipment (Note 13)	**(179,885,426)**	(237,320,248)	(196,878,710)
Acquisition of subsidiaries, net of cash acquired (Note 6)	**–**	–	(2,369,366,713)
Advances from (to) affiliates (Note 12)	**(386,108)**	(2,655,735)	5,914,823
Movement in other noncurrent assets	**(26,053,160)**	(10,108,172)	–
Acquisition of an associate (Note 12)	**–**	(2,100,000)	–
Net cash flows from (used in) investing activities	**645,918,018**	(384,103,490)	(1,288,942,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Note 16)	**554,000,000**	557,000,000	1,529,461,840
Payments of:			
Notes payable (Note 16)	**(554,000,000)**	(2,072,225,829)	(78,139,466)
Long-term debt (Note 18)	**(635,755,735)**	(219,884,036)	(30,419,980)
Dividends (Note 19)	**(487,734,748)**	(414,223,047)	(54,875,431)
Company shares purchased by a subsidiary (Note 19)	**(6,767,680)**	(55,856,525)	(132,426,129)
Increase (decrease) in noncontrolling interests	**134,603,437**	(76,514,959)	504,714
Proceeds from long-term debt (Note 18)	**–**	1,500,000,000	–
Net cash flows from (used in) financing activities	**(995,654,726)**	(781,704,396)	1,234,105,548
NET INCREASE IN CASH AND CASH EQUIVALENTS	**625,362,030**	387,079,227	674,622,036
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**4,058,316**	(13,793,714)	(17,480,886)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,774,319,172**	1,401,033,659	743,892,509
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱ 2,403,739,518**	₱ 1,774,319,172	₱ 1,401,033,659

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses. On July 17, 1979, the Philippine SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded. The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the Board of Directors (BOD) on February 22, 2017.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

<u>Basis of Preparation</u>

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

<u>Statement of Compliance</u>

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

<u>Changes in Accounting Policies</u>

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities,* and Philippine Account Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
  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. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They 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 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 other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

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

  These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
  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 not relevant to the Group.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
  The amendments 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.

  These amendments do not have any impact on the Group's consolidated financial statements.

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

- Amendment to 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.

- Amendment to 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 for continuing involvement 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.

- Amendment to 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.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  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.

- Amendment to 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).

New Accounting Standards, Interpretations and Amendments
<u>to Existing Standards Effective Subsequent to December 31, 2016</u>

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not applicable to the Group since it has no share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*
  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Basis of Consolidation and 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, majority and minority-owned subsidiaries as of December 31:

	Nature of Business	Percentage of Ownership		
		2016	2015	2014
A. Soriano Air Corporation (Note 29)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	**62**	62	62
Island Aviation, Inc. (IAI, Note 29)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	**100**	100	100
Anscor Holdings, Inc. (AHI, formerly Goldenhall Corp., Note 29)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Lakeroad Corp.	Real Estate Holding	**100**	100	100
Mainroad Corp.	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	**100**	100	100
Mountainridge Corp.	Real Estate Holding	**100**	100	100
Rollingview Corp.	Real Estate Holding	**100**	100	100
Timbercrest Corp.	Real Estate Holding	**100**	100	100

(Forward)

	Nature of Business	Percentage of Ownership 2016	2015	2014
Anscor International, Inc. (AI, Note 12)	Investment Holding	**100**	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	**100**	100	100
Cirrus Medical Staffing, Inc. (Cirrus, Notes 6 and 29)	Manpower Services	**94**	94	94
Cirrus Holdings USA, LLC (Cirrus LLC, Notes 6 and 29)	Manpower Services	**94**	94	94
Cirrus Allied, LLC (Cirrus Allied, Notes 6 and 29)	Manpower Services	**94**	94	94
NurseTogether, LLC (NT, Note 6)	Online Community Management	**94**	94	94
Uptown Kamputhaw Holdings, Inc. (formerly Anscor Property Holdings, Inc., APHI, Note 14)	Real Estate Holding	**–**	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 6, 12 and 29)	Investment Holding	**100**	100	100
Minuet Realty Corporation (Minuet)	Landholding	**100**	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 6, 12 and 29)	Wire Manufacturing	**100**	100	100
PD Energy International Corporation (PDEIC, Note 12)	Wire Manufacturing	**100**	100	100
Sutton Place Holdings, Inc. (Sutton)	Investment Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Note 29)	Manpower Services	**93**	93	93
IQ Healthcare Professional Connection, LLC (IQHPC, Note 29)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (AAC)	Real Estate Holding	**81**	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Note 29)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Note 29)	Resort Operations	**62**	62	62
Summerside Corporation (Summerside)	Investment Holding	**40**	100	100

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).

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that have noncontrolling interest (NCI) that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are presented below as of and for the years ended December 31 (in millions):

		2016		2015
Balance Sheets:				
Current assets	₱	**730.1**	₱	690.9
Noncurrent assets		**901.0**		1,108.2
Current liabilities		**356.3**		919.3
Noncurrent liabilities		**161.3**		148.2
Equity		**1,113.5**		731.5
Equity attributable to NCI		**419.8**		270.6

		2016		2015
Statements of Comprehensive Income (Loss):				
Revenue	₱	**1,325.0**	₱	825.3
Income from continuing operations, before tax		**415.8**		196.0
Net income		**380.5**		166.9
Other comprehensive income (loss)		**1.4**		(0.1)
Total comprehensive income		**381.9**		166.8
Total comprehensive income allocated to NCI during the year		**144.0**		62.9

		2016		2015
Statements of Cash Flows:				
Cash flows from operations	₱	**90.3**	₱	430.4
Cash flows used in investing activities		**(83.2)**		(64.9)
Cash flows from (used in) financing activities		**10.9**		(280.7)

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 reassesses 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 recognized 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.

<u>Current Versus Noncurrent Classification</u>

The Group presents assets and liabilities in the consolidated balance sheet 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 loss is recognized under "Equity in net earnings (losses) - net" in the consolidated statement of income. Valuation allowances were previously presented under "Other income (changes) - net'' in the 2015 and 2014 consolidated statements of income.

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.

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	2014
Associates				
Prople Limited (Note 12)	Business Process Outsourcing	**32**	–	–
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32	32
AGP International Holdings Ltd. (AGPI, Note 12)	Holding	**27**	27	27
BehaviorMatrix, LLC (BM, Note 12)	Behavior Analytics Services	**21**	13	13

In 2016, AI converted its notes receivable from Prople Limited and BM to equity. The conversion and additional investment increased the Company's shareholdings, making Prople Limited and BM associates of the Group (see Note 12).

VHI is based in the Philippines. The principal location of AGPI is in the British Virgin Islands. Prople Limited and BM are based in Hong Kong and the United States of America, respectively.

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 financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of 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 remeasured 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 reassesses 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 reassessment 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 noncontrolling 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 of 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 estimated 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 to 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 reassessing 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 remeasured or reassessed 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 in the previous page.

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 December 31, 2016 and 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 December 31, 2016 and 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 December 31, 2016 and 2015 the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives amounting to ₱769.7 million and ₱509.0 million, respectively. No financial liability at FVPL is outstanding as of December 31, 2016 and 2015 (see Note 8).

(b) Loans and receivables

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated 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, notes receivable, interest receivable, receivable from villa owners advances to employees and other receivables.

(c) AFS investments

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

After initial measurement, AFS investments are subsequently measured at fair value. 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 12 months after the reporting period.

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

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated 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 December 31, 2016 and 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 December 31, 2016 and 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 "Valuation allowances" 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 "Valuation allowances" 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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 Group assesses its revenue agreement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing lattitude, and is also expected to inventory and credit risk.

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Sale of real estate

Sale 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

Handling fee, service fee, 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. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Group to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Group contracts with other staffing companies to provide the travelers to fill the jobs for the Group. 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 sheet, until the nurses' arrival and employment in the U.S. and UAE hospitals. Upon the nurses' arrival and employment in the U.S. and UAE 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.

For cable and wire manufacturing, 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	25
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	2 - 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 villa development costs and related expenses incurred.

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

Investment Properties

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

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.

Customers' 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 generally 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 non-contributory defined benefit retirement plans.

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, carryforward benefits 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 carryforward benefits 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 reassessed 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. In case of capital goods input VAT is spread evenly over the useful life of 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 consolidated 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 December 31, 2016, 2015 and 2014.

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. Financial information on business segments is presented in Note 5.

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 (see Note 28).

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.

Determination of absence of significant influence over Enderun

The Company determined that it has no significant influence over Enderun. Management assessed that it does not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun is considered an AFS investment (see Note 11).

Assessment of control over the entities for consolidation

The Group has wholly owned, majority and minority-owned subsidiaries discussed in Note 3. Management concluded that the Group controls these subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

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. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts as of December 31, 2016 and 2015 amounted to ₱630.2 million and ₱637.3 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,169.8 million and ₱1,997.3 million as of December 31, 2016 and 2015, respectively (see Notes 9 and 12).

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 Group 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 (see Note 28).

Unquoted equity investments amounted to ₱1,403.0 million and ₱1,127.5 million as at December 31, 2016 and 2015, respectively (see Note 11).

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 below its cost or when other objective evidence of impairment exists. The determination of what is significant or prolonged decline requires judgment. 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 the future cash flows and the discount factors for unquoted equities.

In 2016, 2015 and 2014, total impairment loss recognized amounted to ₱590.9 million, ₱607.3 million and ₱161.5 million, respectively, on its equity instruments. AFS equity investments amounted to ₱7,513.4 million and ₱6,508.3 million as at December 31, 2016 and 2015, respectively (see Note 11).

Impairment of AFS debt investments
For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the market prices of these bonds indicate objective evidence of impairment. In 2016, 2015 and 2014, total impairment loss recognized amounted to nil, ₱197.9 million, and ₱98.4 million, respectively. The carrying value of AFS debt investments amounted to ₱847.8 million and ₱907.5 million as at December 31, 2016 and 2015, respectively (see Note 11).

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.

Allowance for inventory losses and obsolescence amounted to ₱88.8 million and ₱74.7 million as of December 31, 2016 and 2015, respectively. The carrying amount of the inventories amounted to ₱683.9 million and ₱701.0 million as of December 31, 2016 and 2015, respectively (see Note 10).

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.

As of December 31, 2016 and 2015, the carrying value of property and equipment amounted to ₱2,648.7 million and ₱2,701.9 million, respectively (see Note 13).

Investments carried under the equity method

Investments carried under the 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.

The carrying amounts of the investments amounted to ₱1,941.3 million and ₱1,821.6 million as of December 31, 2016 and 2015, respectively (see Note 12).

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.

As of December 31, 2016 and 2015, the carrying value of property and equipment and investment properties amounted to ₱2,883.6 million and ₱2,962.4 million, respectively (see Notes 13 and 14).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2016 (see Notes 13 and 14).

(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 ₱100.0 million since December 31, 2009 on its investment in Cirrus.

As of December 31, 2016 and 2015, the carrying value of goodwill amounted to ₱1,889.5 million and ₱1,852.4 million, respectively (see Note 6).

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. As of December 31, 2016 and 2015, the Group recognized deferred income tax assets amounting to ₱99.5 million and ₱152.3 million, respectively (see Note 24).

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. Net retirement plan asset as at December 31, 2016 and 2015 amounted to ₱60.2 million and ₱59.5 million, respectively. Net retirement benefits payable as of December 31, 2016 and 2015 amounted to ₱4.2 million and ₱6.7 million, respectively. Further details are provided in Note 23.

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. Further details about the assumptions used are provided in Note 23.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 30.

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 ₱1,452.5 million based on provisional purchase price allocation. In 2015, the valuation was completed and the final goodwill amounted to ₱1,202.9 million.

The total carrying value of goodwill amounted to ₱1,889.5 million and ₱1,852.4 million as of December 31, 2016 and 2015, respectively (see Note 6).

5. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. Majority of the companies within the Group were incorporated and operating within the Philippines, except for the Nurse/Physical Therapist (PT) Staffing business. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Holding company segment pertains to the operations of the Company.

Nurse/PT staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States.

Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment (see Note 3).

Cable and Wire manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.

Amounts for the investments in associates comprise the Group's equity in net earnings of the associates.

Other operations include air transportation, hangarage, real estate holding and management, and recruitment services.

The following tables present the financial information of the business segments as of and for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2016								
Revenues, excluding interest income	₱ 2,572,502	₱ 856,376	₱ 1,321,882	₱ 6,608,160	₱ 711,787	₱ 12,070,707	(₱ 1,199,135)	₱ 10,871,572
Interest income	1,756	83,174	2,921	2,147	226	90,224	5,088	95,312
Investment gains (losses)	–	815,206	–	–	(8,503)	806,703	112,663	919,366
Interest expense	494	57,309	403	45,737	3,308	107,251	1,756	109,007
Income tax expense	108,724	21,050	35,226	255,450	11,292	431,742	(8,046)	423,696
Equity in net earnings (losses)-net	–	–	–	–	(72,724)	(72,724)	–	(72,724)
Net income	184,916	1,005,126	379,544	750,604	403,743	2,723,933	(1,033,642)	1,690,291
Total assets	1,151,194	17,754,581	1,631,042	3,905,133	12,099,505	36,541,455	(15,013,954)	21,527,501
Investments and advances	692,974	7,872,221	83,260	–	3,320,537	11,968,992	(10,025,418)	1,943,574
Property and equipment	3,897	23,922	809,384	568,299	108,568	1,514,070	1,134,661	2,648,731
Total liabilities	636,602	1,911,194	517,614	1,525,781	3,969,244	8,560,435	(3,780,434)	4,780,001
Depreciation and amortization	4,356	8,095	97,312	96,178	30,225	236,166	(2,097)	234,069
Impairment loss	8,332	653,673	–	15,814	2,562,011	3,239,830	(2,637,773)	602,057
Cash flows from (used in):								
Operating activities	304,444	593,426	173,811	809,980	53,212	1,934,873	(959,774)	975,099
Investing activities	(1,441)	711,084	(107,331)	(62,793)	3,897	543,416	102,502	645,918
Financing activities	(312,284)	(918,317)	(70,315)	(421,429)	(56,688)	(1,779,033)	783,378	(995,655)

** Other Operations include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net earnings of associates.*

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2015								
Revenues, excluding interest income	₱ 1,850,730	₱ 2,742,661	₱ 994,023	₱ 6,102,341	₱ 382,875	₱ 12,072,630	(₱ 2,621,468)	₱ 9,451,162
Interest income	–	75,395	758	1,083	6,079	83,315	–	83,315
Investment gains (losses)	–	1,066,719	–	–	(1,160)	1,065,559	–	1,065,559
Interest expense	340	74,240	1,155	39,134	1,730	116,599	–	116,599
Income tax expense (benefit)	66,883	(15,815)	29,167	221,657	15,500	317,392	(7,994)	309,398
Equity in net earnings (losses)-net	–	–	–	–	153,954	153,954	–	153,954
Net income	108,864	2,759,487	166,854	574,356	364,558	3,974,119	(2,610,857)	1,363,262
Total assets	1,041,115	16,382,877	1,799,068	3,488,824	3,745,714	26,457,598	(6,905,218)	19,552,380
Investments and advances	–	8,132,207	74,091	–	2,253,691	10,459,989	(8,635,729)	1,824,260
Property and equipment	4,743	29,727	837,454	573,253	95,388	1,540,565	1,161,312	2,701,877
Total liabilities	129,598	2,252,921	1,067,586	1,616,524	4,695,279	9,761,908	(4,144,448)	5,617,460
Depreciation and amortization	4,914	7,369	97,984	70,967	29,435	210,669	26,099	236,768
Impairment loss	–	802,759	4,266	14,940	271,826	1,093,791	–	841,123
Cash flows from (used in):								
Operating activities	927,193	1,435,669	430,416	773,270	48,197	3,614,745	(2,061,858)	1,552,887
Investing activities	(38,281)	786,261	(64,949)	(101,420)	(5,368)	576,243	(960,346)	(384,103)
Financing activities	(909,597)	(2,125,914)	(280,715)	(492,814)	(21,151)	(3,830,191)	3,048,487	(781,704)

**"Other Operations" include ASAC, AAC, Anscorcon, AI, APHI, CGI, IAI and the Group's equity in net earnings of associates.*

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2014								
Revenues, excluding interest income	₱ 1,250,017	₱ 760,785	₱ 494,071	₱ –	₱ 545,505	₱ 3,050,378	(₱ 597,009)	₱ 2,453,369
Interest income	9,349	80,214	3,353	–	3,523	96,439	–	96,439
Investment gains (losses)	–	1,708,776	–	–	(218)	1,708,558	–	1,708,558
Interest expense	1,981	53,840	1,912	–	3,628	61,361	–	61,361
Income tax expense (benefit)	19,511	(3,777)	6,754	–	6,872	29,360	–	29,360
Equity in net earnings (losses)-net	–	–	–	–	(293,267)	(293,267)	–	(293,267)
Net income (loss)	30,352	1,602,622	(27,280)	–	474,120	2,079,814	(45,072)	2,034,742
Total assets	3,631,986	18,534,609	1,646,336	3,326,645	693,273	27,832,849	(6,513,391)	21,319,458
Investments and advances	2,012,400	7,743,783	–	–	35,827	9,792,010	(8,250,019)	1,541,991
Property and equipment	4,275	32,974	860,177	543,922	72,652	1,514,000	831,505	2,345,505
Total liabilities	3,452,932	4,356,736	881,577	421,764	343,102	9,456,111	(3,346,093)	6,110,018
Depreciation and amortization	7,101	2,235	92,390	–	31,181	132,907	–	132,907
Impairment loss	2,599	700,348	352	–	5,034	708,333	–	708,333
Cash flows from (used in):								
Operating activities	42,297	568,772	218,641	–	18,432	848,142	(118,683)	729,459
Investing activities	(1,269)	(2,041,432)	(151,145)	–	(38,976)	(2,232,822)	943,879	(1,288,943)
Financing activities	40,425	1,445,125	5,106	–	(12,397)	1,478,259	(244,153)	1,234,106

"Other Operations" include ASAC, AAC, Anscorcon, AI, APHI, CGI, IAI and the Group's equity in net earnings of associates.

6. Business Combinations

a. Step-acquisition

On December 19, 2014, the Company acquired 60% shareholding and voting interest in PDIPI, and its subsidiary, PDP Energy (collectively referred to as "PDP Group"). As a result, the Company's equity interest in PDP Group increased from 40% to 100%, obtaining control of PDP Group. The primary reason for the additional investment is that the Company believes in the continuing success of PDP Group and in its ability to give an attractive rate of return.

The final fair values of identifiable assets and liabilities of PDP Group at the date of acquisition were (in millions):

		Final Fair Values Recognized on Acquisition
Cash and cash equivalents	₱	661.0
Receivables		1,241.5
Inventories		778.2
Property, plant and equipment		1,608.0
Other assets		102.7
Total assets		4,391.4
Accounts payable and accrued expenses		(358.5)
Other payables		(63.9)
Deferred income tax liability		(319.2)
Total identifiable net assets acquired		3,649.8
Goodwill arising from the acquisition		1,202.9
Total consideration	₱	4,852.7
Cash paid (presented as investing activities)	₱	2,995.7
Fair value of previously held interest		1,857.0
Total consideration	₱	4,852.7

The fair values of trade receivables amounted to ₱1,241.5 million. The gross amount of trade receivables is ₱1,307.5 million, of which ₱66.0 million is expected to be uncollectible.

The deferred income tax liability mainly comprises the tax effect of the excess of fair value over cost of property, plant and equipment.

Goodwill is allocated entirely to PDP Energy, the cash generating unit. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets.*

Acquisition-related costs of ₱6.5 million have been charged to operations in 2014.

Since the change in ownership occurred towards the end of the year, for purposes of consolidation of balance sheet, the Company treated PDP Group as a consolidated subsidiary at the end of 2014. However, no revenue and cost and expenses of PDP Group were included in the consolidated statement of comprehensive income in 2014. Had PDP Group been consolidated from January 1, 2014, the consolidated statement of income would show an increase in pro-forma revenue of ₱6,552.4 million and increase in net income of ₱321.3 million in 2014. The revenue, cost and expenses of PDP Group were included in the consolidated statement of comprehensive income starting January 1, 2015.

The Company recognized a gain of ₱699.0 million as a result of measuring at fair value its 40% equity interest in PDP Group held before the business combination. The gain is included in “Other income (charges) - net” account in the 2014 consolidated statement of income (see Note 22).

b. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. The carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) follows (in millions):

		2016		2015
PDP (see Note 6a)	₱	**1,202.9**	₱	1,202.9
Cirrus		**587.3**		550.2
SSRLI (Note 29)		**99.3**		99.3
	₱	**1,889.5**	₱	1,852.4

The goodwill allocated to Cirrus of ₱577.9 million, before accumulated exchange differences amounting to ₱115.2 million and ₱78.1 million as of December 31, 2016 and 2015, respectively, and valuation allowance amounting to ₱105.8 million as of December 31, 2016 and 2015, comprises the value of the acquired companies' customer and staff base and existing market share in the healthcare staffing industry. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38. The goodwill from Cirrus increased by ₱37.1 million and ₱32.7 million in 2016 and 2015, respectively, due to foreign exchange differences.

c. Impairment Testing of Goodwill

i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as of December 31, 2016 are discussed below:

Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2016 and 2015 are 16.1% and 14.4%, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 5%, and the difference between the discount rate and growth rate.

Growth rate

PDP Group assumed a growth rate of 5% in 2016 and 2015. Management used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

ii. Cirrus

The recoverable amount of the investments in Cirrus has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as of December 31, 2016 and 2015 are discussed below:

Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2016 and 2015 are 14.1% and 17.2%, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4%, and the difference between the discount rate and growth rate.

Growth rate

Cirrus assumed a growth rate of 9% and 10% in 2016 and 2015, respectively. Growth rate assumptions for the five-year cash flow projections are supported by the different initiatives of Cirrus which started in 2010.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

iii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as of December 31, 2016 and 2015 are discussed below:

Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2016 and 2015 are 13.0% and 13.1%, respectively.

Growth rate

Growth rate assumptions for the five-year cash flow projections in 2016 and 2015 are supported by the different initiatives of SSRLI. The Company used 5% to 13% and 9% to 24% growth rate in revenue for its cash flow projection in 2016 and 2015, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4%, and the difference between the discount rate and growth rate.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

		2016		2015
Cash on hand and with banks	₱	**1,803,257,745**	₱	1,296,692,431
Short-term investments		**600,481,773**		477,626,741
	₱	**2,403,739,518**	₱	1,774,319,172

Cash with banks earn interest at the respective bank deposit rates ranging from 0.25% to 1.25% and 0.125% to 0.25% in 2016 and 2015, respectively. Short-term investments with interest rates ranging from 0.16% to 0.55% in 2016 and 2015 are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 22).

8. FVPL Investments

		2016		2015
Bonds	₱	**744,616,051**	₱	481,184,519
Funds and equities		**3,345,600**		6,352,114
Others		**21,718,480**		21,440,001
	₱	**769,680,131**	₱	508,976,634

This account consists of investments that are designated as FVPL and held-for-trading investments. Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g., call and put options) that significantly modify the security's cash flow. These investments are classified under bonds and others.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 3.50% to 13.13% in 2016, 4.24% to 13.13% in 2015, and 5.25% to 13.13% in 2014.

Net gains (losses) on increase (decrease) in market value of FVPL investments as of December 31 are as follows (in millions):

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2016	2015	in 2016
Bonds	(₱ 22.2)	(₱ 43.8)	₱ 21.6
Funds and equities	(0.4)	(1.7)	1.3
Others	1.9	1.9	–
Total	(20.7)	(43.6)	22.9
Add realized loss on sale of FVPL investments			(2.3)
Net gain on increase in market value of FVPL investments			₱ 20.6

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2015	2014	in 2015
Bonds	(₱ 43.8)	(₱ 22.7)	(₱ 21.1)
Funds and equities	(1.7)	0.3	(2.0)
Others	1.9	1.2	0.7
Total	(43.6)	(21.2)	(22.4)
Add realized loss on sale of FVPL investments			(3.3)
Net loss on decrease in market value of FVPL investments			(₱ 25.7)

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2014	2013	in 2014
Bonds	(₱ 22.7)	(₱ 16.3)	(₱ 6.4)
Funds and equities	0.3	(2.3)	2.6
Others	1.2	1.1	0.1
Total	(21.2)	(17.5)	(3.7)
Add realized loss on sale of FVPL investments			(5.8)
Net loss on decrease in market value of FVPL investments			(₱ 9.5)

There were no outstanding forward transaction as of December 31, 2016 and 2015.

9. Receivables

		2016		2015
Trade	₱	**2,001,480,123**	₱	1,860,418,462
Tax credits/refunds		**139,743,453**		105,022,610
Notes receivable		**32,000,000**		40,000,000
Interest receivable		**21,850,380**		16,498,411
Advances to employees		**14,567,248**		12,374,133
Receivables from villa owners		**11,069,973**		15,960,585
Dividend receivable		**3,299,072**		–
Advances to suppliers		**268,488**		2,117,084
Others		**8,672,669**		14,709,562
		2,232,951,406		2,067,100,847
Less allowance for doubtful accounts		**65,449,513**		72,497,441
	₱	**2,167,501,893**	₱	1,994,603,406

Trade receivables are non-interest bearing and are normally settled on a 30-day term.

As at December 31, 2016 and 2015, the Group has notes receivable amounting to ₱32.0 million from ATR Holdings, Inc. and ₱40.0 million from Maybank ATR Kim Eng, respectively. The notes bear 7% interest rate per annum, unsecured and currently due and demandable.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and AFS investments in debt instruments.

Receivables from villa owners pertain to SSRLI's net rental share and handling fees from reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other expenses for villa maintenance.

Others include advances to suppliers related to the total cost of fuel tanks and pipelines funded initially by the subsidiary but will be recovered from the supplier over the supply contract period agreed upon by the parties.

Movement in the allowance for doubtful trade and other receivable accounts are as follows:

2016		**Trade**		**Others**		**Total**
At January 1	₱	**70,664,283**	₱	**1,833,158**	₱	**72,497,441**
Provision for the year (Note 22)		**26,082,261**		**–**		**26,082,261**
Write-off		**(33,130,189)**		**–**		**(33,130,189)**
At December 31	₱	**63,616,355**	₱	**1,833,158**	₱	**65,449,513**

2015		**Trade**		**Others**		**Total**
At January 1	₱	39,693,797	₱	1,833,158	₱	41,526,955
Provision for the year (Note 22)		32,110,190		–		32,110,190
Write-off		(1,139,704)		–		(1,139,704)
At December 31	₱	70,664,283	₱	1,833,158	₱	72,497,441

10. Inventories

		2016		2015
At cost:				
Raw materials	₱	**109,764,434**	₱	75,782,695
Food and beverage		**18,747,134**		15,355,783
Aircraft parts in transit		**7,378,912**		10,033,989
Materials in transit		**5,277,159**		7,200,152
Reel inventory		**3,645,904**		4,043,109
		144,813,543		112,415,728
At net realizable value:				
Finished goods - net of allowance for inventory obsolescence of ₱26.9 million in 2016 and ₱19.0 million in 2015		**233,969,537**		262,455,851
Work in process - net of allowance for inventory obsolescence ₱7.0 million in 2016 and 2015		**102,095,274**		116,874,466
Raw materials - net of allowance for inventory obsolescence of ₱12.2 million in 2016 and ₱6.8 million in 2015		**89,312,869**		81,757,647
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱36.1 million in 2016 and ₱35.3 million in 2015		**76,943,164**		104,184,985
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱5.1 million in 2016 and 2015		**25,240,149**		21,159,618
Construction-related materials - net of allowance for inventory obsolescence of ₱1.5 million in 2016 and 2015		**11,542,383**		2,135,894
		539,103,376		588,568,461
	₱	**683,916,919**	₱	700,984,189

Provision for inventory losses recognized in 2016, 2015 and 2014 amounted to ₱14.1 million, ₱7.1 million and ₱1.5 million, respectively.

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as of December 31, 2016 and 2015.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in other construction of villa or future repair/renovation of villas.

11. AFS Investments

		2016		2015
Quoted equity shares	₱	**5,671,746,053**	₱	5,082,198,801
Unquoted equity shares		**1,402,973,236**		1,127,466,140
Bonds and convertible note		**847,825,052**		907,451,753
Funds and equities		**254,471,051**		108,212,393
Proprietary shares		**184,210,321**		190,450,322
		8,361,225,713		7,415,779,409
Less current portion of AFS bonds		**47,728,517**		56,786,078
	₱	**8,313,497,196**	₱	7,358,993,331

Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as of December 31, 2016 and 2015 which are assessed to be the exit prices.

AFS investments in bonds represent foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 3.50% to 7.38% in 2016, 3.88% to 8.35% in 2015 and 4.22% to 9.88% in 2014. Maturity dates range from August 8, 2017 to October 15, 2025 for bonds held as of December 31, 2016 and April 22, 2016 to May 3, 2042 for bonds held as of December 31, 2015.

In 2016, 2015, and 2014, gain on sale of AFS investments amounted to ₱555.6 million, ₱1,091.2 million, ₱1,662.0 million, respectively.

The Group's AFS unquoted equity shares, bonds and convertible note include the following:

a. Enderun Colleges, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The total cost of the investment in Enderun amounting to ₱286.2 million.

In 2015, the Company recognized ₱58.6 million gain on fair value adjustment in its investment in Enderun presented in other comprehensive income. The carrying value of the investment in Enderun amounted to ₱344.8 million as at December 31, 2016 and 2015, respectively.

The Company received cash dividends from Enderun amounting to ₱21.9 million and ₱9.4 million in 2016 and 2015, respectively.

Investment in Enderun is classified as AFS investments because the Company does not exercise significant influence and its holding in Enderun is not sufficient to influence major business decisions (see Note 4).

b. Y-mAbs Therapeutics, Inc. (YmAbs)

In December 2015, IQHPC invested US$1.0 million (₱47.1 million) in YmAbs, a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer. This was classified as an AFS equity investment.

On November 10, 2016, IQHPC made additional investments to YmAbs amounting to US$.75 million (₱36.5 million). In November 2016, IQHPC transferred its investment of 399,544 shares of common stock in YmAbs to AI.

As of December 31, 2016 and 2015, the total investment of the Group in YmAbs amounted to ₱87.0 million (inclusive of foreign exchange adjustment) and ₱47.1 million, respectively.

c. Leopard Cambodia Investments (BVI) Ltd. (Leopard)

In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia.

In 2016, AI sold its shares in Leopard for ₱12.5 million which resulted to a gain of ₱1.5 million.

d. KSA Realty Corporation (KSA)

The Company has an equity stake in KSA, the owner of The Enterprise Center, an office building. In 2015, the Company recognized ₱99.2 million gain on fair value adjustment in its investment in KSA which is presented in other comprehensive income (see Note 24).

On June 15, 2016, the Company acquired additional shares in KSA amounting to ₱236.5 million. This increased the Company's stake in KSA from 11% in 2015 to 14.28%. As at December 31, 2016 and 2015, the Company's investment in KSA amounted to ₱752.9 million and ₱516.4 million, respectively.

The Company received cash dividends from KSA amounting to ₱114.2 million and ₱68.5 million in 2016 and 2015, respectively.

e. Maybank ATR Kim Eng Capital Partners, Inc. (Maybank ATR)

On October 21, 2013, the Company entered into a Memorandum of Agreement with Maybank ATR and other parties to incorporate an entity that shall serve as the holding company of the parties for their investments in a stand-alone trust company. In 2013, the Company invested ₱18.75 million in 15,000,000 common shares and ₱18.75 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares of the new entity. These investments give the Company a total of 10% interest in the new entity. As of December 31, 2016 and 2015, the cost of the Company's investment amounted to ₱37.5 million.

f. Geothermal Project

On January 10, 2014, the Company entered into a loan and investment agreement with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESC). Under this agreement, the Company committed to lend up to ₱172.0 million for exploration phase of the three sites. As at December 31, 2016 and 2015, total amount of investment amounted to ₱82.9 million, net of allowance for impairment amounting to ₱58.0 million.

The Company may choose to convert each Note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company opts not convert the note within the agreed time frame, these notes will accrue interest until they mature 62 months from the initial drawdown date.

Below is the rollforward of the unrealized valuation gains (losses) on AFS investments recognized in equity:

		2016		2015
Beginning balance	₱	**686,254,240**	₱	3,238,819,432
Gain (loss) recognized directly in equity - net of tax		**1,175,213,241**		(2,271,925,735)
Amount removed from equity and recognized in consolidated statement of income - net of tax		**38,309,243**		(280,639,457)
Ending balance	₱	**1,899,776,724**	₱	686,254,240

In 2016, 2015 and 2014, the Group recognized impairment losses on its quoted and unquoted AFS debt and equity investments amounting to ₱590.9 million, ₱805.2 million, and ₱259.9 million, respectively (see Note 22).

12. Investments and Advances

		2016		2015
Investments at equity - net	₱	**1,941,304,352**	₱	1,821,604,352
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2016 and 2015		**2,269,627**		2,655,735
	₱	**1,943,573,979**	₱	1,824,260,087

Advances to Vicinetum amounted to ₱1.4 million and ₱1.3 million as of December 31, 2016 and 2015, respectively, net of allowance for doubtful accounts of ₱564.8 million in both years.

Investments at equity consist of:

		2016		2015
Acquisition cost:				
Common shares	₱	**199,199,033**	₱	188,638,207
Preferred shares		**2,059,988,045**		1,997,775,000
Total		**2,259,187,078**		2,186,413,207
Accumulated equity in net earnings - net of valuation allowance		**(557,507,726)**		(484,733,855)
Effect of foreign exchange differences		**239,625,000**		119,925,000
	₱	**1,941,304,352**	₱	1,821,604,352

The significant transactions involving the Group's investments in associates for 2016 and 2015 follow:

AGP International Holdings Ltd. (AGPI)

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI amounting to US$40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased AI's holdings to 27% giving the Group significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to ₱2.0 billion. As of December 31, 2016 and 2015, the carrying value of the investment amounted to ₱1,941.3 million and ₱1,821.6 million, respectively.

The following are the significant financial information relevant to the Group's investment in AGPI as of and for the years ended December 31, 2016 and 2015 (in millions):

		2016		2015
Equity	₱	**7,385.2**	₱	6,167.7
Net income		**1,447.7**		568.7

BehaviorMatrix, LLC (BM)

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constituted 10% of the total Series A preferred units outstanding. In the first quarter of 2012, all of AI's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics that allow it to measure and quantify emotions associated with digital content.

In July 2015, AI made an additional investment of US$0.5 million (₱22.5 million).

In March 2016, AI invested an additional US$0.437 million (₱20.6 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US$0.814 million (₱39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise some influence over BM.

In 2016 and 2015, AI provided impairment loss on its investment in BM amounting to ₱62.2 million [presented under "Equity in net earnings (losses) - net" in the consolidated statement of income] and ₱57.2 million (see Note 22), respectively.

As of December 31, 2016 and 2015, the net carrying value of AI's investment in BM presented under investments at equity and AFS investments, respectively, amounted to nil.

Prople Limited

In November 2013, AI invested US$4.0 million (₱175.9 million) convertible notes in Prople Limited. In August 2015 and February 2016, AI purchased Tranche C notes of Prople Limited amounting to US$0.5 million (₱22.6 million) and US$0.2 million (₱10.6 million), respectively. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first three years and if not converted on the third anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five-year US Dollar Republic of the Philippines (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, AI converted the notes to equity, giving AI a 32% equity stake and a significant influence over Prople Limited.

In 2016 and 2015, AI provided impairment loss on its investment in Prople amounting to ₱10.6 million [presented under "Equity in net earnings (losses) - net" in the consolidated statement of income] and ₱197.9 million (see Note 22), respectively.

As of December 31, 2016 and 2015, the net carrying value of AI's investment in Prople presented under investments in equity and AFS investments, respectively, amounted to nil.

The associates as of December 31, 2016 and 2015 have no contingent liabilities or capital commitments.

PDIPI and Subsidiaries

a. PDP Energy established PDEIC, a PEZA-registered company engaged in manufacturing wires, mainly for export.
b. Cash dividends received by the Company amounted to ₱250 million at ₱2.91 per share in 2016, ₱1.6 billion at ₱272.4 per share in 2015 and ₱95.2 million at ₱40.3 per share in 2014.

As discussed in Note 6, PDP Group became subsidiaries of the Company towards the end of December 2014. Prior to that, PDP Group is accounted for as an associate.

Anscor-Casto Travel Corporation

In 2014, the Company sold its 44% interest in Anscor-Casto Travel Corporation for ₱9.5 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

Newco, Inc.

In 2014, the Company sold its 45% interest in Newco, Inc. for ₱46.6 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

13. Property and Equipment

	2016					
	Land Buildings and Improvements	Flight Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 2,624,262,278	₱ 803,726,553	₱ 381,796,968	₱ 160,482,455	₱ 38,280,634	₱ 4,008,548,888
Additions	13,014,678	30,118,847	54,366,982	35,153,068	47,231,851	179,885,426
Reclassification	28,600,967	19,394,355	–	–	(47,995,322)	–
Retirement/ disposals	–	–	(566,551)	(11,769,257)	–	(12,335,808)
Foreign exchange adjustment	427,647	–	2,603,627	–	–	3,031,274
December 31	2,666,305,570	853,239,755	438,201,026	183,866,266	37,517,163	4,179,129,780
Accumulated Depreciation and Amortization						
January 1	598,359,494	325,983,683	266,016,152	116,312,545	–	1,306,671,874
Depreciation and amortization	97,540,270	77,899,620	41,275,895	17,352,970	–	234,068,755
Retirement/disposals	–	–	(364,947)	(11,397,233)	–	(11,762,180)
Foreign exchange adjustment	(375,479)	–	1,795,771	–	–	1,420,292
December 31	695,524,285	403,883,303	308,722,871	122,268,282	–	1,530,398,741
Net Book Value	₱ 1,970,781,285	₱ 449,356,452	₱ 129,478,155	₱ 61,597,984	₱ 37,517,163	₱ 2,648,731,039

	2015					
	Land Buildings and Improvements	Flight Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 2,588,972,115	₱ 762,499,675	₱ 295,345,186	₱ 147,146,569	₱ 40,941,659	₱ 3,834,905,204
Additions	19,585,661	53,432,485	28,292,544	15,313,172	120,696,386	237,320,248
Reclassification	15,566,895	46,858,945	60,931,571	–	(123,357,411)	–
Retirement/ disposals	–	(59,064,552)	(3,672,319)	(1,977,286)	–	(64,714,157)
Foreign exchange adjustment	137,607	–	899,986	–	–	1,037,593
December 31	2,624,262,278	803,726,553	381,796,968	160,482,455	38,280,634	4,008,548,888
Accumulated Depreciation and Amortization						
January 1	508,141,758	289,726,339	232,415,175	102,658,200	–	1,132,941,472
Depreciation and amortization	90,263,073	95,321,896	36,425,705	14,757,226	–	236,767,900
Retirement/disposals	–	(59,064,552)	(3,605,736)	(1,102,881)	–	(63,773,169)
Foreign exchange adjustment	(45,337)	–	781,008	–	–	735,671
December 31	598,359,494	325,983,683	266,016,152	116,312,545	–	1,306,671,874
Net Book Value	₱ 2,025,902,784	₱ 477,742,870	₱ 115,780,816	₱ 44,169,910	₱ 38,280,634	₱ 2,701,877,014

As of December 31, 2016 and 2015, land with improvements and structures of SSRLI with appraised value of ₱2,923.0 million were used as collateral for the loan obtained in 2005 by a subsidiary (see Note 18). As of December 31, 2016 and 2015, the mortgage participating certificates or "MPC" issued to the creditor bank represents 3% and 5%, respectively, of the appraised value of the properties that were used as collateral. The carrying value of the related property amounted to ₱269.2 million and ₱301.9 million as of December 31, 2016 and 2015, respectively.

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of constructing and assembling machineries and equipment.

Depreciation charged to operations amounted to ₱234.1 million, ₱236.8 million, and ₱132.9 million in 2016, 2015 and 2014, respectively (see Note 20).

14. Investment Properties

	2016	2015
January 1	₱ **260,569,744**	₱ 260,569,744
Additions	**640,000**	–
Disposals	**(26,331,909)**	–
December 31	₱ **234,877,835**	₱ 260,569,744

The Group's investment properties include 144.0 hectares of land in Palawan, 875.0 hectares of land in Cebu, and 97.4 hectares in Guimaras.

In 2016, the Group sold its investment property in Cebu to a third-party buyer through the sale of 100% of outstanding shares of stock of Uptown Kamputhaw Holdings, Inc., formerly APHI. Gain on sale of the investments amounted to ₱343.2 million, net of commission expense of ₱17.7 million.

Based on the valuation performed by professionally qualified, accredited and independent appraisers as of November and December 2016, the aggregate fair market values of the investment properties amounted to ₱357.0 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are either for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform rules, AAC has to complete the development on the Guimaras land by September 2018.

In 2016 and 2015, the Group derived no income from these investment properties.

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2016, 2015 and 2014.

15. Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets as of December 31 include:

		2016		2015
Fund for villa operations and capital expenditures (Note 29)	₱	**85,261,048**	₱	87,195,705
Deposit to supplier (Note 29)		**35,191,266**		14,157,327
Deferred nurse cost		**3,242,209**		7,225,350
Refundable deposits		**2,096,322**		2,051,851
Others		**3,215,933**		7,652,253
	₱	**129,006,778**	₱	118,282,486

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 29).

Other noncurrent liabilities also include ₱70.9 million and ₱73.0 million fund for future infrastructure and utility development of villas as of December 31, 2016 and 2015, respectively, which is an allocated charge to the villa owners. The fund is intended to be used for putting up new infrastructure or utilities such as power generating units, roads, potable water, and sewer and irrigation lines, electrical and auxiliary lines essential for a villa to be operable. The fund also includes the villa's share in the future expansion of the existing back-of-house facilities (power generation, potable water production, sewage treatment plant, etc.) of PRI so that the resort's utilities' capacity can accommodate the additional demand that arises from the proposed new villa.

16. Notes Payable

Notes payable represent unsecured (unless otherwise stated), short-term, interest-bearing liabilities of Cirrus amounting to ₱91.9 million and ₱26.2 million as at December 31, 2016 and 2015, respectively.

a. Cirrus obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the United States of America, with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as of December 31, 2016 and 2015 amounted to US$1.8 million (₱91.9 million) and US$0.6 million (₱26.2 million), respectively. As of December 31, 2016 and 2015, Cirrus has an available credit line which amounted to US$3.2 million (₱156.7 million) and US$1.9 million (₱89.4 million), respectively. As of December 31, 2016 and 2015, Cirrus is in compliance with the debt covenants.

b. The Company availed of loans from local banks totaling to ₱554.0 million and ₱257.0 million in 2016 and 2015, respectively. Terms of the loans is 11 to 30 days with rates ranging from 2.6% to 7%. As at December 31, 2016 and 2015, the loans were fully paid.

c. In 2015, PDP Energy availed of a short-term loan from a local bank amounting to ₱300.0 million which bears annual interest rates ranging from 2.75% to 3.00%, repriced monthly based on market conditions. As of December 31, 2015, the loan was fully paid.

d. The Group's unavailed loan credit line from banks amounted to ₱3,025.0 million and ₱4,025.0 million as of December 31, 2016 and 2015, respectively.

e. Total interest expense recognized in the consolidated statements of income amounted to ₱2.3 million in 2016, ₱21.7 million in 2015, and ₱17.7 million in 2014 (see Note 22).

17. Accounts Payable and Accrued Expenses

		2016		2015
Trade payables	₱	**451,701,048**	₱	346,260,502
Accrued expenses (Note 30)		**214,192,989**		274,104,750
Advances from customers		**181,519,584**		189,260,593
Payable to contractors		**34,627,981**		19,613,461
Payable to government agencies		**41,795,677**		29,643,000
Payable to villa owners		**4,162,545**		21,389,213
Other payables		**41,798,985**		35,851,449
	₱	**969,798,809**	₱	916,122,968

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group.

Advances from customers pertain mainly to payment of PDP's customers for future delivery of goods and advance payments made by PRI's customers for hotel reservations.

Payable to contractors are amount due to suppliers for ongoing and completed construction projects.

18. Long-term Debt

The Group's outstanding long-term debt from local banks pertain to the following companies:

	2016	2015
Anscor	₱ 1,566,180,000	₱ 1,905,930,000
PDP	942,857,143	1,114,285,714
IAI	36,544,200	44,471,700
PRI	–	33,218,946
	2,545,581,343	3,097,906,360
Less current portion	629,350,200	638,070,546
	₱ 1,916,231,143	₱ 2,459,835,814

a. On June 24, 2013, the Company obtained a loan amounting to US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AG&P. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱2,273.7 million and ₱2,169.1 million as of December 31, 2016 and 2015, respectively. This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

b. In 2015, PDP Energy obtained a long-term loan to partially fund the ₱1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to ₱1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

   PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the Bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2016, PDP Energy is in compliance with the debt covenants.

In addition, the long-term loan is secured by the following collaterals, among others:

- Real estate mortgage over the land owned by Minuet;
- Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;
- Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
- Assignment of leasehold rentals of the properties located in PDP Energy's premises.

The long-term loan also provides for pretermination without penalty.

Movements and details of long-term loan as at December 31 are as follows:

		2016		2015
Beginning balance	₱	**1,114,285,714**	₱	–
Availment		**–**		1,200,000,000
Payments		**(171,428,571)**		(85,714,286)
Ending balance		**942,857,143**		1,114,285,714
Less current portion		**171,429,000**		171,429,000
Noncurrent portion	₱	**771,428,143**	₱	942,856,714

Interest expense from long-term loan of PDP Energy amounted to ₱45.7 million and ₱36.2 million in 2016 and 2015, respectively. Accrued interest payable amounted to ₱8.8 million and ₱9.9 million as at December 31, 2016 and 2015, respectively.

c. In 2014, IAI converted the short-term loan amounting to US$1.05 million (₱46.96 million) to long-term loan. The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

   The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering a portion of the assets of SSRLI.

   The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

d. Loans payable of PRI amounting to US$2.0 million (₱108.0 million) and US$1.0 million (₱53.0 million) were obtained on November 29, 2005 and December 22, 2011, respectively. The US$2.0 million loan, which was transferred from SSRLI through an execution of Deed of Assumption of Loan and Mortgage dated June 2, 2011, is subject to Mortgage Trust Indenture (MTI), covering the assets of SSRLI (see Note 13). Both loans have a floating interest rate per quarter equivalent to the average quarterly LIBOR plus 2% spread. The US$2.0 million loan has a maximum term of seven years, including three years grace period while the US$1.0 million loan has a maximum term of five years. Both loans are payable in 17 equal quarterly installments starting October 2012 to October 2016. Current portion of loans payable amounted to nil and ₱33.2 million as of December 31, 2016 and 2015, respectively.

On October 3, 2012, PRI obtained a loan from its stockholder amounting to ₱30.0 million. The loan has a grace period of five years and is payable in seven equal annual installments commencing in the year 2018 up to 2024. In lieu of the interest, PRI waives the landing and take-off charges on the said stockholder's use of PRI's runway in Amanpulo. In 2013, PRI obtained an additional loan from the stockholder amounting to ₱19.1 million with the same terms from the previous loan. In May 2015, the loan to the stockholder amounting to ₱49.2 million was fully settled by SSRLI on behalf of PRI.

Total interest expense recognized in the consolidated statements of income amounted to ₱105.0 million, ₱94.9 million, and ₱43.4 million in 2016, 2015 and 2014, respectively (see Note 22).

19. Equity

Equity holders of the Parent

Capital stock consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱ 3,464,310,958
Issued	2,500,000,000	₱ 2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as of December 31, 2016 and 2015 totaled 1,232,593,254 and 1,233,699,354, respectively. The Company's number of equity holders as of December 31, 2016 and 2015 is 11,225 and 11,302, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.0 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2016, 2015 and 2014, the Company declared the following cash dividends:

	2016	2015	2014
Cash dividends per share	₱ **0.20**	₱ 0.10	₱ 0.25
Month of declaration	**March**	May	November
Total cash dividends	₱ **500.0 million**	₱ 250.0 million	₱ 625.0 million
Share of a subsidiary	₱ **253.5 million**	₱ 125.8 million	₱ 314.5 million

As of December 31, 2016 and 2015, the Company's dividends payable amounted to ₱242.2 million and ₱229.6 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2016 and 2015 due to problematic addresses of some of the Company's stockholders.

The Company's BOD approved the following appropriation of the Company's unrestricted retained earnings:

Year of Appropriation		Amount
2011	₱	2,100,000,000
2013		900,000,000
2014		1,600,000,000
2015		1,700,000,000
2016		850,000,000
	₱	7,150,000,000

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism business process outsourcing, manpower services, education and manufacturing, whether based in the Philippines or offshore. Appropriations which were due for expirations were extended for additional three years.

The unappropriated retained earnings is restricted for the dividend declaration by the following:

- Balance of gross deferred income tax assets amounting to ₱99.5 million and ₱153.3 million as of December 31, 2016 and 2015, respectively.
- Shares in the undistributed retained earnings of subsidiaries and associates amounting to ₱2.6 billion and ₱1.6 billion as of December 31, 2016 and 2015, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary

As of December 31, 2016 and 2015, Anscorcon holds 1,267,406,746 shares and 1,266,300,646 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱6.8 million (1,106,100 shares) and ₱55.9 million (8,400,000 shares) in 2016 and 2015, respectively.

20. Cost of Goods Sold and Services Rendered and Operating Expenses

Cost of goods sold consists of:

		2016		2015
Materials used and changes in inventories (Note 10)	₱	**4,780,202,671**	₱	4,547,877,135
Repairs and maintenance		**126,373,261**		102,892,525
Salaries, wages and employee benefits (Note 21)		**100,910,214**		90,045,965
Utilities		**82,975,821**		88,514,624
Depreciation and amortization (Note 13)		**78,018,330**		80,706,067
Transportation and travel		**5,128,643**		5,191,943
Insurance		**1,968,394**		2,489,433
Dues and subscriptions		**1,676,767**		1,680,190
Fuel cost		**331,399**		398,488
Others		**10,746,797**		11,977,260
	₱	**5,188,332,297**	₱	4,931,773,630

Cost of services rendered consists of:

	2016	2015	2014
Salaries, wages and employee benefits (Note 21)	₱ 1,587,150,307	₱ 1,177,618,229	₱ 821,596,656
Insurance	123,475,477	90,683,928	66,864,333
Recruitment services	123,367,404	89,437,777	70,470,909
Dues and subscriptions	106,726,263	65,420,731	40,091,648
Other operating costs - resort	101,640,624	105,012,101	73,385,305
Transportation and travel	50,954,088	36,144,655	25,025,021
Outside services	36,347,026	43,162,954	60,019,196
Housing cost	30,138,144	31,219,222	30,794,148
Materials and supplies - resort operations	29,936,594	30,502,161	24,656,357
Depreciation and amortization (Note 13)	27,405,992	28,409,146	27,154,445
Fuel cost	26,581,852	33,328,482	55,147,646
Repairs and maintenance	24,344,528	22,173,010	22,207,388
Commissions	12,422,708	15,260,469	13,154,514
Variable nurse costs (Note 29)	7,748,434	7,461,184	3,388,812
Others	24,339,165	33,268,392	27,558,690
	₱ 2,312,578,606	₱ 1,809,102,441	₱ 1,361,515,068

Operating expenses consist of:

	2016	2015	2014
Salaries, wages and employee benefits (Note 21)	₱ 370,375,345	₱ 340,945,122	₱ 276,776,685
Taxes and licenses	140,391,738	67,625,106	43,522,272
Depreciation and amortization (Note 13)	128,644,433	127,652,687	105,752,691
Professional and directors' fees	124,630,473	94,483,322	76,167,744
Advertising	109,709,523	116,267,925	58,940,372
Shipping and delivery expenses	84,507,245	79,891,698	977,353
Utilities	55,643,818	68,855,836	92,803,138
Transportation and travel	52,910,938	21,025,407	29,395,090
Commissions	41,995,138	40,094,155	22,151,535
Repairs and maintenance	36,002,550	41,432,321	41,723,110
Insurance	29,866,029	26,148,572	13,094,357
Rental (Note 29)	21,633,810	18,756,512	13,052,306
Communications	19,187,297	19,212,844	9,645,650
Security services	18,152,937	18,307,777	14,258,848
International processing cost	14,422,025	7,356,938	4,195,032
Entertainment, amusement and recreation	12,757,890	18,550,777	12,779,121
Meetings and conferences	10,414,427	3,783,380	3,174,816
Donation and contribution	8,162,186	7,632,540	5,480,051
Association dues	7,714,913	7,690,415	5,867,816
Computer programming	6,537,040	3,209,205	3,303,519
Office supplies	6,482,155	7,263,853	4,295,975
Medical expenses	3,889,441	3,632,848	–
Others	43,738,301	28,755,833	26,763,541
	₱ 1,347,769,652	₱ 1,168,575,073	₱ 864,121,022

In 2016, 2015 and 2014, the Company paid bonus to its non-executive directors amounting to ₱9.0 million, ₱13.4 million, and ₱6.4 million, respectively.

21. Personnel Expenses

	2016	2015	2014
Salaries and wages	₱ 1,987,758,372	₱ 1,479,276,277	₱ 1,059,316,132
Pension costs (Note 23)	15,698,052	16,230,854	11,722,183
Social security premiums, meals and other employees' benefits	54,979,442	113,102,185	27,335,026
	₱ 2,058,435,866	₱ 1,608,609,316	₱ 1,098,373,341

In 2016, 2015 and 2014, the Company paid bonuses to its executive officers amounting to ₱39.3 million, ₱63.3 million, and ₱29.3 million, respectively.

22. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

	2016	2015	2014
Debt instruments (Notes 8 and 11)	₱ 79,517,862	₱ 73,314,316	₱ 75,149,914
Cash and cash equivalents (Note 7)	5,512,222	4,679,094	17,439,665
Funds and equities	3,326,334	5,309,052	3,406,469
Others	6,955,209	12,957	442,951
	₱ 95,311,627	₱ 83,315,419	₱ 96,438,999

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.5 million in 2016, ₱0.4 million in 2015, and ₱2.8 million in 2014.

Interest expense consists of:

	2016	2015	2014
Long-term debt (Note 18)	₱ 104,959,908	₱ 94,940,763	₱ 43,408,333
Notes payable (Note 16)	2,259,110	21,652,492	17,722,053
Others	1,788,116	5,979	230,657
	₱ 109,007,134	₱ 116,599,234	₱ 61,361,043

Other income (charges) consists of:

	2016	2015	2014
Valuation allowances on:			
AFS investments (Note 11)	(₱ 590,899,207)	(₱ 805,238,727)	(₱ 259,940,637)
Receivables (Note 9)	(26,082,261)	(32,110,190)	(6,174,132)
Other current and noncurrent assets	(1,584,786)	(3,774,453)	(1,811,227)
Recovery of allowances for impairment losses (Notes 9, 10 and 11)	16,509,318	–	24,553,505
Rental income	7,542,788	3,771,910	819,991
Gain on remeasurement of previously held interest (Note 6)	–	–	699,011,094
Service fee	–	59,050,000	–
Insurance claims (Note 12)	–	–	46,228,744
Others	60,029,550	24,701,343	25,323,797
	(₱ 534,484,598)	(₱ 753,600,117)	₱ 528,011,135

In 2015, a subsidiary entered into a contract and received a fee of ₱59.0 million for various services rendered.

On November 8, 2013, PRI sustained property damages brought by Typhoon Yolanda. Because of these damages, its operations were temporarily suspended and resumed only on December 15, 2013. In 2013, PRI applied for insurance claims. In August and September 2014, PRI received its insurance claims of ₱46.23 million.

Others included ASAC's reimbursement from lessees and reversal of accrued expenses.

23. Pension and Other Post-employment Benefit Plans

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Group.

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as of December 31, 2016 and 2015 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.13% to 9.13% in 2016 and 2015 and have maturities from September 4, 2016 to October 24, 2037 in 2016 and 2015;

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 2.13% to 8.5% in 2016 and 4.41% to 8.5% in 2016 and have maturities from May 22, 2017 to April 20, 2025 in 2016 and from August 27, 2019 to April 25, 2025 in 2015; and

d. Investments in equity securities, which consist of unlisted and actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

   As of December 31, 2016 and 2015, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱39.9 million and ₱41.0 million, respectively. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱3.2 million and ₱2.1 million in 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the Fund's carrying value and fair value amounted to ₱448.6 million and ₱426.7 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

		2016		2015		2014
Retirement benefit cost:						
Current service cost	₱	18,559,744	₱	19,132,392	₱	13,730,445
Net interest		(2,861,692)		(2,901,538)		(2,008,262)
Net benefit expense (Note 21)	₱	15,698,052	₱	16,230,854	₱	11,722,183
Actual return on plan assets	₱	5,905,193	₱	1,824,388	₱	23,535,342

Changes in net retirement plan asset are as follows:

	2016	2015	2014
Net retirement plan asset, beginning	₱ 59,482,997	₱ 65,533,724	₱ 53,846,435
Current service cost	(13,968,281)	(13,310,014)	(10,316,336)
Net interest	3,015,453	3,221,383	2,383,337
	(10,952,828)	(10,088,631)	(7,932,999)
Actuarial changes arising from:			
Remeasurement of plan assets	(13,230,751)	(17,100,815)	9,836,624
Experience adjustments	8,514,257	7,386,456	1,357,122
Changes in financial assumptions	–	99,446	657,490
Changes in the effect of asset ceiling	5,045,756	2,473,743	(2,982,175)
	329,262	(7,141,170)	8,869,061
Contribution	10,917,120	11,179,074	7,723,131
Transfer from net retirement benefits payable	414,715	–	–
Net plan assets of acquired subsidiary (Note 6)	–	–	3,028,096
Net retirement plan asset, end	₱ 60,191,266	₱ 59,482,997	₱ 65,533,724

Changes in net retirement benefits payable are as follows:

	2016	2015	2014
Net retirement benefits payable, beginning	(₱ 6,666,773)	(₱ 9,054,911)	(₱ 10,965,263)
Current service cost	(4,591,463)	(5,822,378)	(3,414,109)
Net interest	(153,761)	(319,845)	(375,075)
	(4,745,224)	(6,142,223)	(3,789,184)
Actuarial changes arising from:			
Experience adjustments	(52,784)	(4,826,719)	(795,535)
Remeasurement of plan assets	(1,593,549)	(581,257)	190,861
Changes in financial assumptions	2,184,750	4,190,933	(922,028)
Changes in the effect of asset ceiling	43,978	–	–
	582,395	(1,217,043)	(1,526,702)
Contribution	7,032,548	9,747,404	6,200,818
Transfer to net retirement plan asset	(414,715)	–	–
Benefits paid directly by the Group	–	–	1,025,420
Net retirement benefits payable, end	(₱ 4,211,769)	(₱ 6,666,773)	(₱ 9,054,911)

Computation of net retirement plan assets (liabilities):

2016:

	Net Retirement Plan Asset	Net Retirement Liability	Total
Present value of defined benefit obligation	**(₱ 346,015,862)**	**(₱ 41,890,705)**	**(₱ 387,906,567)**
Fair value of plan assets	**410,514,332**	**38,093,651**	**448,607,983**
Surplus (deficit)	**64,498,470**	**(3,797,054)**	**60,701,416**
Effect of the asset ceiling	**(4,721,919)**	**–**	**(4,721,919)**
Transfer to retirement plan asset	**414,715**	**(414,715)**	**–**
Retirement plan asset (liability)	**₱ 60,191,266**	**(₱ 4,211,769)**	**₱ 55,979,497**

2015:

	Net Retirement Plan Asset	Net Retirement Liability	Total
Present value of defined benefit obligation	(₱ 325,294,428)	(₱ 39,236,445)	(₱ 364,530,873)
Fair value of plan assets	394,111,065	32,613,650	426,724,715
Surplus (deficit)	68,816,637	(6,622,795)	62,193,842
Effect of the asset ceiling	(9,333,640)	(43,978)	(9,377,618)
Retirement plan asset (liability)	₱ 59,482,997	(₱ 6,666,773)	₱ 52,816,224

Changes in the present value of defined benefit obligation:

	2016	2015
Defined benefit obligation, beginning	**₱ 364,530,873**	₱ 341,770,555
Interest cost	**17,433,766**	16,082,344
Current service cost	**18,559,744**	19,132,392
Benefits paid from plan assets	**(1,971,593)**	(5,604,302)
Remeasurement in other comprehensive income:		
Actuarial gain - changes in financial assumptions	**(2,184,750)**	(4,290,379)
Actuarial loss - change in demographic assumptions	**1,763,688**	–
Actuarial gain - experience adjustments	**(10,225,161)**	(2,559,737)
Defined benefit obligation, ending	**₱ 387,906,567**	₱ 364,530,873

Changes in the fair value of plan assets:

		2016		2015
Fair value of plan assets, beginning	₱	**426,724,715**	₱	409,578,151
Interest income		**20,729,493**		19,506,460
Contributions		**17,949,668**		20,926,478
Remeasurement loss		**(14,824,300)**		(17,682,072)
Benefits paid from plan assets		**(1,971,593)**		(5,604,302)
Fair value of plan assets, ending	₱	**448,607,983**	₱	426,724,715

Changes in the effect of asset ceiling:

		2016		2015
Beginning balance	₱	**9,377,618**	₱	11,328,783
Changes in the effect of asset ceiling		**(5,089,734)**		(2,473,743)
Interest on the effect of asset ceiling		**434,035**		522,578
Ending balance	₱	**4,721,919**	₱	9,377,618

The fair value of plan assets as of December 31 are as follows:

		2016		2015
Debt instruments	₱	**185,013,512**	₱	151,923,113
Unit investment trust funds		**109,446,594**		97,074,293
Equity instruments		**92,751,984**		120,684,378
Cash and cash equivalents		**45,425,257**		40,742,739
Others		**15,970,636**		16,300,192
	₱	**448,607,983**	₱	426,724,715

The financial instruments with quoted prices in active market amounted to ₱299.5 million and ₱204.2 million as of December 31, 2016 and 2015, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis on the below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Company, PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2016	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**-0.7% to -4.0%**	**₱ 3,566,736**
	+0.6% to +4.4%	**(3,876,060)**
Future salary increases	**+1.1% to +8.4%**	**₱ 6,874,329**
	-1.0% to -7.2%	**(6,004,623)**

2015	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	-0.6% to -4.9%	₱ 4,099,559
	+0.7% to 5.4%	(4,472,116)
Future salary increases	+1.1% to 10.2%	₱ 7,981,416
	-1.0% to -8.8%	(6,925,561)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries except PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2016	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	**-4.1% to -8.1%**	**₱ 897,356**
	+4.6% to +9.1%	**(712,052)**
Future salary increase	**+4.1% to 8.4%**	**₱ 1,380,422**
	-3.8% to -7.4%	**(1,240,425)**

2015	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	-1.0% to -7.8%	(₱ 496,858)
	+1.0% to 9.1%	580,414
Future salary increase	+1.0% to 8.0%	₱ 508,937
	-1.0% to -7.0%	(446,728)

The Group expects to make contributions amounting to ₱20.9 million to its defined benefit pension plans in 2017.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2016	2015
Discount rate	**4.64% to 5.86%**	4.3% to 5.64%
Future salary increases	**3.00% to 5.00%**	5.0% to 10.0%

The weighted average duration of the defined benefit obligation as of December 31, 2016 and 2015 ranges from 1.8 to 11.8 years and 1.8 to 16.8 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2016 and 2015:

Year	2016	2015
2017	₱ 159,025,500	₱ 155,431,588
2018	13,262,761	9,280,105
2019	6,982,818	6,715,322
2020	11,495,521	12,295,369
2021	88,259,168	94,757,510
2022 to 2026	31,296,005	28,503,743
	₱ 310,321,773	₱ 306,983,637

24. Income Taxes

The provision for income tax consists of:

	2016	2015	2014
Current	₱ 338,260,726	₱ 272,752,008	₱ 12,927,935
Deferred	85,435,341	36,645,647	16,432,009
	₱ 423,696,067	₱ 309,397,655	₱ 29,359,944

The components of the net deferred income tax assets (liabilities) are as follows:

	2016		2015	
	Net Deferred Income Tax Assets(1)	Net Deferred Income Tax (Liabilities)(2)	Net Deferred Income Tax Assets(1)	Net Deferred Income Tax (Liabilities)(2)
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowance for doubtful accounts	₱ 26,498,106	₱ 6,145,889	₱ 27,983,703	₱ 9,615,346
Allowance for inventory losses	24,772,634	–	28,311,111	–
Accrued expenses	8,608,406	3,972,777	7,686,498	3,422,768
Unamortized past service cost	1,630,587	1,621,856	12,907,495	2,085,246
Unrealized foreign exchange loss	1,309,770	6,194,707	1,255,789	19,694,777
Retirement benefits payable	1,448,372	–	752,404	–
Market adjustment on FVPL	–	15,097,294	–	13,053,875
NOLCO on federal and state income tax	–	–	–	16,873,653
Others	2,229,188	–	9,619,820	–
	66,497,063	33,032,523	88,516,820	64,745,665
Deferred income tax liabilities on:				
Fair value adjustment	–	(356,389,025)	–	(356,389,025)
Goodwill amortization of Cirrus	–	(185,001,298)	–	(128,522,084)
Uncollected management fee	–	(8,462,334)	–	(5,835,042)
Retirement plan assets	(2,961,335)	(3,113,386)	(1,335,269)	(5,515,109)
Unrealized foreign exchange gains	(667,578)	–	(26,757,874)	–
Others	–	–	(538,111)	–
	(3,628,913)	(552,966,043)	(28,631,254)	(496,261,260)
Recognized in the consolidated other comprehensive income:				
Deferred income tax liabilities on:				
Unrealized valuation gains on AFS investments	(944,264)	(67,470,367)	(689,857)	(59,818,732)
Cumulative actuarial gains	380,955	(12,756,171)	–	(11,539,908)
	(563,309)	(80,226,538)	(689,857)	(71,358,640)
	₱ 62,304,841	(₱ 600,160,058)	₱ 59,195,709	(₱ 502,874,235)

(1) *Pertain to PDP, SSRLI, ASAC, APHI, AHI, Anscorcon and Sutton.*

(2) *Pertain to Anscor and AI.*

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2016	2015
Allowances for:		
Impairment losses	₱ **1,527,630,711**	₱ 936,731,504
Doubtful accounts	**569,379,331**	609,698,582
Inventory losses	**3,877,877**	3,955,899
NOLCO	**269,860,049**	589,540,228
Accrued pension benefit and others	**16,256,984**	27,365,371
Unrealized foreign exchange losses	**11,473,695**	10,997,073
Provision for probable losses and lawsuits	**5,721,158**	5,721,158
MCIT	**4,745,193**	4,474,885

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2016, 2015 and 2014 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2016, 2015 and 2014.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2016	2015	2014
Provision for income tax at statutory tax rates	₱ **634,196,025**	₱ 501,797,840	₱ 619,230,451
Additions to (reductions from) income taxes resulting from:			
Gain on sale of AFS investments, marketable equity securities and other investments subjected to final tax	**(165,363,218)**	(322,201,613)	(515,638,967)
Income tax at 5% GIT	**(94,108,256)**	(72,567,282)	(25,905,954)
Movement in unrecognized deferred income tax assets	**66,327,305**	262,898,352	236,630,712
Dividend income not subject to income tax	**(65,639,343)**	(62,895,499)	(78,258,624)
Expired NOLCO and MCIT	**38,513,380**	21,800,602	28,968,902
Nontaxable income	**(9,622,892)**	–	–
Interest income already subjected to final tax	**(1,006,593)**	(335,147)	(2,427,063)
Gain on remeasurement of previously held interest	**–**	–	(209,703,328)
Equity in net earnings of associates not subject to income tax	**–**	(46,186,157)	(44,142,332)
Others	**20,399,659**	27,086,559	20,606,147
	₱ **423,696,067**	₱ 309,397,655	₱ 29,359,944

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

The following table summarizes the NOLCO as of December 31, 2016 of the Company and its subsidiaries domiciled in the Philippines:

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Balance
2013	2014-2016	₱ 143,626,077	–	(₱ 23,005,879)	(₱120,620,198)	₱ –
2014	2015-2017	107,543,065	–	–	–	107,543,065
2015	2016-2018	159,571,086	–	–	–	159,571,086
2016	2017-2019	–	2,745,898	–	–	2,745,898
		₱ 410,740,228	**₱ 2,745,898**	**(₱ 23,005,879)**	**(₱120,620,198)**	**₱269,860,049**

As of December 31, 2016 and 2015, a foreign subsidiary has NOLCO on federal and state income tax of nil and approximately US$3.8 million (₱178.8 million), respectively. No deferred income tax assets were recognized on this NOLCO as its future realizability is not certain.

MCIT

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2013	2014-2016	₱ 2,327,321	₱ –	₱ –	(₱ 2,327,321)	₱ –	₱ –
2014	2015-2017	1,611,284	–	–	–	(298,660)	1,312,624
2015	2016-2018	919,233	–	–	–	(261,547)	657,686
2016	2017-2019	–	2,774,883	–	–	–	2,774,883
		₱ 4,857,838	**₱ 2,774,883**	**₱ –**	**(₱ 2,327,321)**	**(₱ 560,207)**	**₱ 4,745,193**

**Adjustment pertains to the unexpired portion of MCIT of APHI.*

25. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the parent	**₱ 1,522,796,705**	₱ 1,282,782,660	₱ 2,041,141,959
Weighted average number of shares (Note 19)	**1,232,679,551**	1,244,599,629	1,253,952,678
Earnings per share	**₱ 1.24**	₱ 1.03	₱ 1.63

The Group does not have potentially dilutive common stock equivalents in 2016, 2015 and 2014.

26. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the normal course of business and in addition to those disclosed in Notes 12 and 29, the Group grants/ receives cash advances to/from its associates and affiliates.

Compensation of the Group's key management personnel (in millions):

		2016		2015		2014
Short-term employee benefits (Note 21)	₱	**165.6**	₱	154.7	₱	112.0
Post-employment benefits (Note 23)		**8.1**		7.6		7.1
Total	₱	**173.7**	₱	162.3	₱	119.1

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

27. Financial Risk Management Objectives and Policies

The Group'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 Group'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 Group'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 on the next page.

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 risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2016	2015
Cash in banks	₱ 1,803,068,523	₱ 1,294,574,992
Short-term investments*	670,981,773	477,626,741
FVPL investments - bonds	744,616,051	481,184,519
AFS investments - debt instruments	847,825,052	907,451,753
	4,066,491,399	3,160,838,005
Loans and receivables:		
Trade	1,937,863,768	1,789,754,179
Notes receivable	32,000,000	40,000,000
Interest receivable	21,850,380	16,498,411
Receivable from villa owners	11,069,973	15,960,585
Advances to employees	14,567,248	12,374,133
Others	10,138,583	12,876,404
	2,027,489,952	1,887,463,712
	₱ 6,093,981,351	₱ 5,048,301,717

**Including short term investments amounting to ₱70.5 million under "Other current assets" as of December 31, 2016*

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 table below shows the credit quality by class of financial asset based on the Group's credit rating system:

2016	Financial Assets that are Neither Past Due nor Impaired – High Grade	Financial Assets that are Neither Past Due nor Impaired – Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱ 1,803,068,523	₱ –	₱ –	₱ –	₱ 1,803,068,523
Short-term investments*	670,981,773	–	–	–	670,981,773
FVPL investments					
bonds	64,101,510	680,514,541	–	–	744,616,051
AFS investments					
debt instruments	14,654,970	833,170,082	–	58,000,000	905,825,052
Receivables:					
Trade	–	1,429,619,823	508,243,945	63,616,355	2,001,480,123
Notes receivables	–	32,000,000	–	–	32,000,000
Interest receivable	–	21,850,380	–	–	21,850,380
Receivable from villa owners	–	11,069,973	–	–	11,069,973
Advances to employees	10,766,272	3,800,976	–	–	14,567,248
Others	3,039	9,369,482	766,062	1,833,158	11,971,741
	₱ 2,563,576,087	₱ 3,021,395,257	₱ 509,010,007	₱ 123,449,513	₱ 6,217,430,864

** Including short-term investments amounting to ₱70.5 million under "Other Current Assets."*

2015	Financial Assets that are Neither Past Due nor Impaired – High Grade	Financial Assets that are Neither Past Due nor Impaired – Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱ 1,294,574,992	₱ –	₱ –	₱ –	₱ 1,294,574,992
Short-term investments	477,626,741	–	–	–	477,626,741
FVPL investments					
bonds	24,747,254	456,437,265	–	–	481,184,519
AFS investments					
debt instruments	165,885,612	741,566,141	–	58,000,000	965,451,753
Receivables:					
Trade	–	1,221,346,395	568,407,784	70,664,283	1,860,418,462
Notes receivables	–	40,000,000	–	–	40,000,000
Interest receivable	–	16,498,411	–	–	16,498,411
Receivables from villa owners	–	15,960,585	–	–	15,960,585
Advances to employees	11,771,382	602,751	–	–	12,374,133
Others	–	12,876,404	–	1,833,158	14,709,562
	₱ 1,974,605,981	₱ 2,505,287,952	₱ 568,407,784	₱ 130,497,441	₱ 5,178,799,158

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

Financial assets that are past due but not impaired

The table below shows the aging analysis of past due but not impaired loans/receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Financial Assets that are Past Due but Not Impaired				
Trade and others	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
December 31, 2016	₱ 288,083,008	₱ 130,946,255	₱ 69,093,076	₱ 20,887,668	₱ 509,010,007
December 31, 2015	323,754,131	148,833,254	68,388,744	27,431,655	568,407,784

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 tables below summarize the maturity profile of the Group's financial liabilities at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2016	**Within 6 months**	**6 to 12 months**	**Over 1 up to 5 years**	**Over 5 years**	**Total**
Cash in banks	₱ 1,803,257,745	₱ –	₱ –	₱ –	₱ 1,803,257,745
Short-term investments*	670,981,773	–	–	–	670,981,773
FVPL investments					
Bonds	24,300,650	9,793,305	513,202,670	197,319,426	744,616,051
AFS investments					
Bonds	–	47,728,517	472,588,641	327,507,894	847,825,052
Receivables	1,572,657,610	418,575,998	24,745,751	11,510,593	2,027,489,952
	₱ 4,071,197,778	₱ 476,097,820	₱1,010,537,062	₱536,337,913	₱6,094,170,573
Notes payable	₱ 91,948,200	₱ –	₱ –	₱ –	₱ 91,948,200
Accounts payable					
and accrued expenses**	785,540,886	142,462,246	–	–	928,003,132
Long-term debt	223,740,000	405,610,200	1,916,231,143	–	2,545,581,343
Dividends payable	241,914,173	294,233	–	–	242,208,406
	₱ 1,343,143,259	₱ 548,366,679	₱1,916,231,143	₱ –	₱ 3,807,741,081

* *Including short-term investment amounting ₱70.5 million under "Other current asset."*

** *Excluding non-financial liabilities amounting to ₱41.8 million.*

December 31, 2015	Within 6 months	6 to 12 months	Over 1 up to 5 years	Over 5 years	Total
Cash in banks	₱ 1,296,692,431	₱ –	₱ –	₱ –	₱ 1,296,692,431
Short-term investments	477,626,741	–	–	–	477,626,741
FVPL investments					
Bonds	10,311,599	–	125,731,438	345,141,482	481,184,519
AFS investments					
Bonds	56,534,651	286,241,765	564,675,337	–	907,451,753
Receivables	1,727,583,282	130,961,652	28,918,778	–	1,887,463,712
	₱ 3,568,748,704	₱ 417,203,417	₱ 719,325,553	₱345,141,482	₱ 5,050,419,156
Notes payable	₱ 26,197,832	₱ –	₱ –	₱ –	₱ 26,197,832
Accounts payable and accrued expenses*	726,883,003	34,559,115	125,037,850	–	886,479,968
Long-term debt	–	638,070,546	2,459,835,814	–	3,097,906,360
Dividends payable	229,648,921	–	–	–	229,648,921
	₱ 982,729,756	₱ 672,629,661	₱2,584,873,664	₱ –	₱ 4,240,233,081

**Excluding non-financial liabilities amounting to ₱29.6 million.*

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.

The following table demonstrate management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating debt instrument	Change in Interest Rates [in basis points (bps)]	Effect on Income Before Tax Increase (Decrease)
2016	**+150**	**(₱ 22.22)**
	-150	**22.22**
2015	+150	(₱ 29.73)
	-150	29.73

The sensitivity analysis shows the effect on the consolidated statements of income of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and liabilities held at December 31, 2016 and 2015. There is no other impact on equity other than those affecting profit and loss.

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.

The tables below show the impact on income before income tax and equity (in millions) of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as AFS.

	Change in	Increase (Decrease)	
	Interest Rates	Effect on Income	
2016	**(in bps)**	**Before Tax**	**Effect on Equity**
AFS investments	**+100**	**₱ –**	**(₱ 17.89)**
	-100	**–**	**19.11**
FVPL investments	**+100**	**(18.47)**	**–**
	-100	**19.48**	**–**

	Change in	Increase (Decrease)	
	Interest Rates	Effect on Income	
2015	**(in bps)**	**Before Tax**	**Effect on Equity**
AFS investments	+100	₱ –	(₱ 19.82)
	-100	–	21.02
FVPL investments	+100	(24.25)	–
	-100	28.36	–

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.

The table below show the impact on income (in millions) before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach.

		Increase (Decrease)	
AFS investments	**Change in PSE Price Index**	**Effect on Income Before Tax**	**Effect on Equity**
2016	**+18.44%**	**₱ –**	**₱ 593.35**
	-18.44%	**–**	**(593.35)**
2015	+34.28%	–	822.25
	-34.28%	–	(822.25)

The annual standard deviation of the PSE price index is approximately 14.73% and 12.04% and with 99% confidence level, the possible change in PSE price index could be +/-18.44% and +/-34.28% in 2016 and 2015, respectively. There are no outstanding stock investments listed in PSE that are classified as FVPL as of December 31, 2016 and 2015.

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.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below show the impact on income before income tax and equity (in millions) of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

		Increase (Decrease)	
Mutual funds	**Change in NAV**	**Effect on Income Before Tax**	**Effect on Equity**
2016	**+10%**	**₱ 1.06**	**₱ 18.20**
	-10%	**(1.06)**	**(18.20)**
2015	+10%	1.01	32.51
	-10%	(1.01)	(32.51)

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, Australian dollar and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Group 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.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax (in millions). It assumes that all other variables remain constant. A negative amount in the table reflects a potential reduction in income before income tax or equity, while a positive amount reflects a net potential increase in income before income tax or equity.

2016	**Change in Currency Rate**	**Effect on Income Before Tax Increase (Decrease)**
US Dollar	**+4.41%**	**(₱ 7.30)**
	-4.41%	**7.30**
Australian Dollar	**+11.40%**	**(0.85)**
	-11.40%	**0.85**

2015	**Change in Currency Rate**	**Effect on Income Before Tax Increase (Decrease)**
US Dollar	+3.80%	(₱ 6.41)
	-3.80%	6.41
Japanese Yen	+8.51%	(0.76)
	-8.51%	0.76

e. Copper rod 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. Average monthly purchase of copper rods amounted to ₱275.3 million with an average quantity of about 1,318 metric tons in 2016 and ₱316.3 million with an average quantity of about 1,111 metric tons in 2015.

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 following table represents the effect on income before tax (in millions) of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant:

	% Change in Copper Rod Prices	Effect on Income Before Income Tax
2016	**+10.80%**	**(₱ 38.00)**
	-10.80%	**38.00**
2015	+11.13%	(31.58)
	-11.13%	31.58

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, 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 CMSIS' ability to deploy nurses and therapists in the USA. CMSIS manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the US State Department.

<u>Capital Management</u>

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 years ended December 31, 2016 and 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.

28. Financial Instruments

Categorization of Financial Instruments

December 31, 2016	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and short-term investments*	₱ **2,474,239,518**	₱ **–**	₱ **–**	₱ **2,474,239,518**
FVPL investments	**–**	**769,680,131**	**–**	**769,680,131**
AFS investments	**–**	**–**	**8,361,225,713**	**8,361,225,713**
Receivables**	**2,027,489,952**	**–**	**–**	**2,027,489,952**
	₱ **4,501,729,470**	₱ **769,680,131**	₱ **8,361,225,713**	₱ **13,632,635,314**

** Including short-term investment amounting to ₱70.5 million under "Other current assets."*

*** Excluding non-financial assets amounting to ₱142.0 million.*

December 31, 2015	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and short-term investments	₱ 1,774,319,172	₱ –	₱ –	₱ 1,774,319,172
FVPL investments	–	508,976,634	–	508,976,634
AFS investments	–	–	7,415,779,409	7,415,779,409
Receivables*	1,887,463,712	–	–	1,887,463,712
	₱ 3,661,782,884	₱ 508,976,634	₱ 7,415,779,409	₱ 11,586,538,927

** Excluding non-financial assets amounting to ₱29.6 million.*

Other Financial Liabilities	2016	2015
Notes payable	₱ **91,948,200**	₱ 26,197,832
Accounts payable and accrued expenses*	**928,003,132**	886,479,968
Dividends payable	**242,208,406**	229,648,921
Long-term debt, including current portion	**2,545,581,343**	3,097,906,360
	₱ **3,807,741,081**	₱ 4,240,233,081

** Excluding non-financial liabilities amounting to ₱41.8 million and ₱29.6 million in 2016 and 2015, respectively.*

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:

	December 31, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
FVPL investments:				
Bonds and convertible note	₱ **744,616,051**	₱ **744,616,051**	₱ 481,184,519	₱ 481,184,519
Funds and equities	**3,345,600**	**3,345,600**	6,352,114	6,352,114
Others	**21,718,480**	**21,718,480**	21,440,001	21,440,001
	769,680,131	**769,680,131**	508,976,634	508,976,634
AFS investments:				
Quoted equity shares	**5,671,746,053**	**5,671,746,053**	5,082,198,801	5,082,198,801
Bonds and convertible note	**847,825,052**	**847,825,052**	907,451,753	907,451,753
Funds and equities	**254,471,051**	**254,471,051**	108,212,393	108,212,393
Proprietary shares	**184,210,323**	**184,210,323**	190,450,322	190,450,322
Unquoted shares	**1,097,757,074**	**1,097,757,074**	861,146,084	861,146,084
	8,056,009,553	**8,056,009,553**	7,149,459,353	7,149,459,353
	₱ **8,825,689,684**	₱ **8,825,689,684**	₱7,658,435,987	₱ 7,658,435,987

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 of December 31, 2016 and 2015, AFS investments amounting to ₱305.2 million and ₱266.3 million, respectively, were carried at cost less impairment 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 December 31, 2016:

	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
FVPL investments:				
Bonds	₱ 744,616,051	₱ 744,616,051	₱ –	₱ –
Funds and equities	3,345,600	3,345,600	–	–
Others	21,718,480	21,718,480	–	–
	769,680,131	769,680,131	–	–
AFS investments:				
Quoted equity shares	5,671,746,053	5,671,746,053	–	–
Bonds and convertible notes	847,825,052	847,825,052	–	–
Funds and equities	254,471,051	254,471,051	–	–
Proprietary shares	184,210,323	184,210,323	–	–
Unquoted shares	1,097,757,074	–	–	1,097,757,074
	8,056,009,553	6,958,252,479	–	1,097,757,074
	₱ 8,825,689,684	₱ 7,727,932,610	₱ –	₱ 1,097,757,074

As of December 31, 2015:

	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
FVPL investments:				
Bonds	₱ 481,184,519	₱ 481,184,519	₱ –	₱ –
Funds and equities	6,352,114	6,352,114	–	–
Others	21,440,001	21,440,001	–	–
	508,976,634	508,976,634	–	–
AFS investments:				
Quoted equity shares	5,082,198,801	5,082,198,801	–	–
Bonds and convertible note	907,451,753	907,451,753	–	–
Funds and equities	108,212,393	108,212,393	–	–
Proprietary shares	190,450,322	190,450,322	–	–
Unquoted shares	861,146,084	–	–	861,146,084
	7,149,459,353	6,288,313,269	–	861,146,084
	₱ 7,658,435,987	₱ 6,797,289,903	₱ –	₱ 861,146,084

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

2016	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 ₱346** **15%:fair value of ₱348**
		Tuition fee increase by 5%	**0% to 7%**	**0%: fair value of ₱329** **7% fair value of ₱374**
		Cost of capital of 12%	**10% to 14%**	**10%: fair value of ₱439** **13%: fair value of ₱304**
KSA	DCF Model	Dividend payout is ₱100 million with 5% annual increase	**-5% to 10%**	**-5% fair value of ₱720** **10% fair value of ₱804**
		Liquidity discount of 20%	**10% to 30%**	**10%: fair value of ₱842** **30%: fair value of ₱655**
		Cost of equity of 14%	**13% to 15%**	**13%: fair value of ₱798** **15% fair value of ₱703**

2015	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 ₱344 15% fair value of ₱347
		Tuition fee increase by 5%	0% to 5%	0%: fair value of ₱309 5% fair value of ₱389
		Cost of capital of 14%	12% to 16%	12%: fair value of ₱438 16%: fair value of ₱289
KSA	DCF Model	Dividend payout is ₱60 million	-5% to 10%	-5% fair value of ₱497 10% fair value of ₱556
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱524 30% fair value of ₱508
		Cost of equity of 11.5%	10% to 13%	10%: fair value of ₱571 13% fair value of ₱469

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 January 1, 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 December 31, 2015		345		516		861
Re-measurement recognized in OCI		–		–		–
Realized gains (losses) in profit or loss		–		–		–
Unrealized gains (losses) in profit or loss		–		–		–
Purchases		–		237		237
Reclassified in discontinued operations		–		–		–
Transfer into/out of Level 3		–		–		–
Sales		–		–		–
As at December 31, 2016	₱	**345**	₱	**753**	₱	**1,098**

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

29. Contracts and Agreements

Sutton

a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

   In January 2016, CGI and IQHPC entered into a new Service Agreement where IQPHC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

As of December 31, 2016 and 2015, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2016, 2015, and 2014 amounted to ₱11.1 million, ₱3.6 million, and ₱3.4 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2015, the lease agreement was renewed for a one-year term ending July 31, 2017.

   The future minimum rentals payable under the non-cancellable operating lease within one year from the balance sheet date amounted to ₱1.9 million and ₱1.7 million as of December 31, 2016 and 2015, respectively.

   Rent expense in 2016, 2015 and 2014 amounted to ₱3.0 million, ₱2.8 million, and ₱2.8 million, respectively.

d. In May 2010, CGI entered into a sublease agreement with a third party covering its office space. The sublease has a term of one year ending April 30, 2011 renewable upon mutual agreement of both parties. Upon its maturity, the sublease agreement was renewed for several periods. The extended sublease agreement ended last July 31, 2014.

   In October 2014, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The initial sublease agreement was for a period of eight months until July 15, 2015. At the end of the lease term, the sublease agreement was renewed and extended until June 15, 2016.

   Rent income from the sublease agreement in 2016, 2015 and 2014 amounted to ₱0.4 million, ₱0.7 million, and ₱0.6 million, respectively.

e. In 2014, advances to CGI amounting to ₱6.0 million were assigned to Sutton in exchange for its 948 common shares.

f. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

   Permitted fees are to be invoiced in the following manner:
   - 25% of fee upon signing the contract offer of employment;
   - 50% of fee upon deployment; and
   - 25% of fee upon completion of the probationary 90-day time period at CCAD.

   CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met.

   Service income recognized in 2016, 2015 and 2014 amounted to ₱51.3 million, ₱18.1 million and ₱14.4 million, respectively.

Cirrus

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱2.6 billion, ₱1.9 billion, and ₱1.3 billion in 2016, 2015 and 2014, respectively.

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

   As of December 31, 2016 and 2015, future minimum lease payments associated with these agreements with terms of one year or more are as follows:

	2016	2015
Within one year	₱ 9,141,751	₱ 9,377,598
After one year but not more than five years	11,115,307	20,559,102
	₱ 20,257,058	₱ 29,936,700

   Rent expense in 2016, 2015 and 2014 amounted to ₱10.7 million, ₱10.7 million, and ₱10.9 million, respectively.

ASAC

ASAC entered into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term.

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as of December 31, 2016 and 2015 amounted to ₱35.2 million and ₱14.2 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets.

b. IAI conducts its operations from leased facilities which include the aircraft hangar, parking lots and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and is subsequently renewed for another two years upon its termination in 2011, 2013 and 2015. The renewed lease agreement will terminate in August 2017.

   The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱2.9 million in 2016, ₱2.9 million in 2015, and ₱2.8 million in 2014.

SSRLI and PRI

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

   On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a location at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank, except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable (see Note 18).

   On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.89 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million.

c. Since 1995, the Company charges SSRLI a monthly fee amounting to US$4,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to SSRLI.

d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 4% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

Likewise, marketing services and license contracts with AMBV were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues and US$1,000 monthly fee, respectively. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

PRI also executed a Reservation Services Agreement with Hotel Sales Services Ltd. (HSSL) in which PRI will pay the latter a monthly fee of 6.5% of the gross accommodation charges processed through HSSL's central sales and reservation offices, with the exception of bookings made through the global distribution system which cost US$100 per booking. Upon commencement of the service agreement on June 24, 2013, PRI paid an establishment fee of US$1,500. PRI pays annual maintenance fee of US$1,000 to HSSL. The agreement will expire upon the date the Hotel is no longer managed by AMBV.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort.

The OMA, marketing and license contracts will expire on June 30, 2018. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration. Total fees related to these agreements amounted to ₱58.0 million, ₱51.8 million, and ₱34.8 million in 2016, 2015, and 2014, respectively.

e. SSRLI has an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all of IAI's operating costs will be covered.

   As a result of the transfer of resort operations from SSRLI to PRI, the latest renewal of the air service agreement was made between PRI and IAI covering a three-year period from July 1, 2011 to June 30, 2014. The contract was extended for another three years.

f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years ending September 2013. In 2015, the lease agreement was renewed for another two years. The agreement provides that PRI is not allowed to sublease any part of the leased premises.

   Future minimum annual rentals payable under this lease are as follows:

		2016		2015
Not later than one year	₱	**1,727,167**	₱	2,590,751
Later than one year but not later than 5 years		**–**		1,727,167
	₱	**1,727,167**	₱	4,317,918

   Rent relating to the lease amounted to ₱2.8 million in 2016, ₱2.5 million in 2015, and ₱1.9 million in 2014.

g. On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI. The monthly fee was reduced to ₱0.5 million, exclusive of VAT, from August 1, 2016 until March 24, 2017.

   On December 15, 2016, the agreement with APHI was transferred to AHI.

h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱96.0 million, ₱75.1 million and ₱57.2 million in 2016, 2015, and 2014, respectively, and presented as "Services revenue" in the consolidated statements of income.

   As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As of December 31, 2016 and 2015, the restricted fund amounted to ₱85.3 million and ₱87.2 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 15).

i. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

   On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of 20 years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter. Effective January 1, 2016, the annual rental fee is ₱42.8 million.

   Future minimum lease payments under these lease agreements as of December 31 are as follows:

		2016		2015
Within one year	₱	**42,800,000**	₱	45,390,751
After one year but not more than five years		**171,200,000**		172,927,167
More than five years		**406,600,000**		449,400,000
	₱	**620,600,000**	₱	667,717,918

j. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and post-construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2016, 2015 and 2014, SSRLI recognized handling fee, included under "Services revenue" account which amounted to ₱7.6 million, ₱56.5 million and ₱17.7 million, respectively.

k. In 2015, SSRLI redeemed Class A preferred stock of 117,080,330 shares and Class B preferred stock of 82,919,670 shares amounting to ₱200.0 million.

l. SSRLI entered into memorandum of agreements with the buyers of villa. Total deposits amounted to nil and ₱597.3 million as of December 31, 2016 and 2015, respectively. These are presented as "Customers' deposit for property development" in the consolidated balance sheets. In 2016 and 2015, two villas and a villa were sold and generated gain on sale amounting to ₱331.0 million and ₱113.0 million, respectively.

m. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2016 and 2015, total property development in progress amounted to ₱3.2 million and ₱175.8 million. These pertain to projects that are to be completed within one year and are, thus, presented as current assets.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱20.8 million and ₱15.2 million (eliminated in the consolidated financial statements) as of December 31, 2016 and 2015, respectively (see Notes 9 and 26). Management fees amounted to ₱88.3 million, ₱71.0 million and ₱62.2 million (eliminated in the 2016 and 2015 consolidated financial statements) in 2016, 2015 and 2014, respectively.

b. Beginning January 2004, PDP Energy entered into a technical assistance contract with Phelps Dodge International Corporation which provides an annual payment of technical fees amounting to a certain percentage of audited income before tax (VAT inclusive). There are no technical fees starting 2015. Technical fees amounted to ₱57.7 million in 2014. These are included in "Management fee" in the 2014 consolidated statement of income. On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with General Cable Corporation (GCC). The agreement provides that GCC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

c. In 2008, PDP Energy entered into a contract of lease with a third party covering the lease of its office building. The contract is for a two year lease period and renewable at the option of both parties. The contract ended in 2013 and was no longer renewed. In line with this, PDP Energy entered into a contract of lease with another third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties.

The future aggregate minimum lease payments under the new operating lease are as follows:

		2016		2015
Not later than 1 year	₱	**6,577,643**	₱	6,533,374
More than 1 year but not later than 5 years		**3,766,386**		10,344,029
	₱	**10,344,029**	₱	16,877,403

d. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GCTC) wherein GCTC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GCI) which provides, among others, the exclusive distributor, reseller and representative for the sale of GCI products to customers within the Philippines.

30. Other Matters

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2016, the refund process has remained pending.

   ASAC recognized accruals amounting to ₱1.1 million as of December 31, 2016 and 2015 for the Concessionaire's Privilege Fees which covers the subleasing that the MIAA is set to bill ASAC.

b. ASAC is a defendant in labor lawsuits and claims. As of December 31, 2016 and 2015 management has recognized provisions for losses amounting to ₱5.7 million (see Note 17) that may be incurred from these lawsuits.

c. IAI has a pending lease contract renewal with MIAA as of December 31, 2016.

d. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in the normal course of their operations, which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2016 and 2015, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

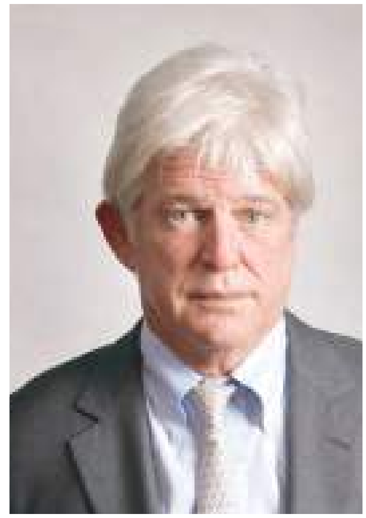
e. On April 20, 2016, the BOD and stockholders of the CMSIS authorized the re-acquisition of its own 28 common stocks for a total purchase price amounting to US$0.2 million.

31. Subsequent Event

On February 22, 2017, the BOD of Anscor approved the declaration of cash dividend of ₱0.20 per share or ₱500.0 million to stockholders of record as of March 9, 2017, payable on April 4, 2017.

BOARD OF DIRECTORS

ANDRES SORIANO III
Chairman of the Board/
Chief Executive Officer/President



EDUARDO J. SORIANO
Vice Chairman/
Treasurer

ERNEST K. CUYEGKENG

JOHN L. GOKONGWEI, JR.

OSCAR J. HILADO

JOSE C. IBAZETA

ROBERTO R. ROMULO

OFFICERS & CORPORATE DIRECTORY

OFFICERS

ERNEST K. CUYEGKENG
Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER
Senior Vice President & Corporate Development Officer

NARCISA M. VILLAFLOR
Vice President & Comptroller

LORENZO D. LASCO
Vice President

JOSHUA L. CASTRO
Assistant Vice President & Assistant Corporate Secretary

LORNA P. KAPUNAN
Corporate Secretary

SUBSIDIARIES

A. Soriano Air Corporation
AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor Holdings, Inc.
Anscor International, Inc.
Cirrus Allied, LLC
Cirrus Global, Inc.
Cirrus Holdings USA, LLC
Cirrus Medical Staffing, Inc.
IQ Healthcare Investments Limited
IQ Healthcare Professional Connection, LLC
Island Aviation, Inc.
Minuet Realty Corporation
NurseTogether, LLC
Pamalican Island Holdings, Inc.
Pamalican Resort, Inc.
PD Energy International Corporation
Phelps Dodge International Philippines, Inc.
Phelps Dodge Philippines Energy Products Corporation
Seven Seas Resorts and Leisure, Inc.
Sutton Place Holdings, Inc.

AFFILIATES

AG&P International Holdings Ltd.
BehaviorMatrix, LLC
DirectWithHotels, Inc.
Enderun Colleges, Inc.
KSA Realty Corporation
Prople Limited
Vicinetum Holdings, Inc.
Y-mAbs Therapeutics, Inc.

CORPORATE DIRECTORY

Corporate Social Responsibility Arm
The Andres Soriano Foundation, Inc.
Andrews Avenue, Pasay City
(632) 831-99-41 • (632) 851-55-07
www.asorianofdn.org

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Fax Number
(632) 811-50-68

External Auditors
SyCip Gorres Velayo & Co.

Stock Transfer Agent
Stock Transfer Services, Inc.
34th Floor, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

Legal Counsels
Kapunan Garcia & Castillo
Picazo Buyco Tan Fider & Santos
Tan Acut Lopez & Pison

A. SORIANO CORPORATION
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Ext.,
1209 Makati City, Philippines

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

P W 2

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

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

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	**SEC**	**NA**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	**Third Wednesday of April**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**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 March 31, 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/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. 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
Common	2,500,000,000

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 [x] No [ ]

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

Yes [ ] No. [x]

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: May 13, 2016

Principal Financial/Accounting Officer/Controller: Signature and Title

(Sgd.) NARCISA M. VILLAFLOR
VP - Comptroller

Date: May 13, 2016

SECForm17-Q
May 13, 2016

SEC FORM 17 – Q
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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	March 31	December 31
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	**2,192,470**	1,774,319
Fair value through profit and loss (FVPL) investments	**596,565**	508,977
Receivables	**2,080,774**	1,958,669
Inventories	**631,426**	700,984
Property development in progress	**212,996**	175,812
Available-for-sale (AFS) investments - current	**78,916**	56,786
Prepayments	**83,891**	75,182
Other current assets	**81,578**	81,898
Total Current Assets	**5,958,615**	5,332,626
Noncurrent Assets		
AFS investments - net of current portion	**7,659,767**	7,358,993
Investments and advances	**1,787,997**	1,824,260
Goodwill	**1,839,154**	1,852,422
Property and equipment	**2,678,474**	2,701,877
Investment properties	**260,570**	260,570
Retirement plan asset	**59,010**	59,483
Other noncurrent assets	**130,326**	102,954
Total Noncurrent Assets	**14,415,298**	14,160,559
TOTAL ASSETS	**20,373,913**	19,493,185

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**-**	26,198
Accounts payable and accrued expenses	**1,010,482**	916,123
Dividends payable	**476,168**	229,649
Customer's deposits for property development	**596,291**	597,268
Income tax payable	**172,447**	85,381
Current portion of long-term debt	**620,609**	638,071
Total Current Liabilities	**2,875,996**	2,492,690

	March 31 2016	December 31 2015
Noncurrent Liabilities		
Long-term debt - net of current portion	**2,280,101**	2,459,836
Deferred revenues	**9,913**	10,118
Deferred income tax liabilities - net	**461,756**	443,679
Retirement benefits payable	**7,682**	6,667
Other noncurrent liabilities	**157,671**	145,276
Total Noncurrent Liabilities	**2,917,123**	3,065,575
Total Liabilities	**5,793,119**	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	**120,624**	187,917
Equity reserve on acquisition of noncontrolling interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**1,191,978**	686,254
Remeasurement on retirement benefits	**36,696**	34,993
Retained Earnings		
Appropriated	**6,400,000**	6,300,000
Unappropriated	**4,576,631**	4,487,779
Cost of shares held by a subsidiary	**(2,226,273)**	(2,219,505)
	14,178,914	13,556,695
Noncontrolling interests	**401,881**	378,226
Total Equity	**14,580,794**	13,934,921
TOTAL LIABILITIES AND EQUITY	**20,373,913**	19,493,185

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2016	2015
REVENUES		
Sales	**1,565,111**	1,495,822
Services	**832,742**	650,052
Dividend income	**37,822**	57,489
Interest income	**20,726**	20,688
Management fee	**4,524**	15,956
Equity in net losses of associates	**-**	(78,611)
	2,460,924	2,161,396
INVESTMENT GAINS		
Gain on sale of AFS investments	**178,956**	847,905
Gain on increase in market values of FVPL investments	**6,423**	2,081
	185,380	849,986
	2,646,304	3,011,382
Cost of goods sold/services rendered	**(1,697,719)**	(1,593,599)
Operating expenses	**(334,444)**	(388,579)
Interest expense	**(27,217)**	(30,230)
Valuation allowances - net	**(25,158)**	(160)
Foreign exchange gain (loss)	**4,978**	(3,252)
Other income - net	**697**	2,359
	(2,078,863)	(2,013,460)
INCOME BEFORE INCOME TAX	**567,441**	997,922
PROVISION FOR INCOME TAX - net	**108,432**	67,039
NET INCOME	**459,008**	930,883
Attributable to:		
Equity holdings of the parent	**435,370**	908,158
Minority interest	**23,638**	22,725
	459,008	930,883
EARNINGS PER SHARE - basic/diluted, for net income attributable to equity holdings of the Parent	**0.35**	0.73

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2016	2015
NET INCOME FOR THE PERIOD	**459,008**	930,883
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized valuation gain (loss) on AFS investments	**681,278**	(241,150)
Realized gains on sale of AFS investments, net of impairment losses	**(178,956)**	(890,269)
Unrealized gain on remeasurement of retirement benefits	**2,434**	1,000
Cumulative translation adjustment	**(67,293)**	12,347
Income tax effect	**2,671**	(9,491)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**440,135**	(1,127,563)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**899,143**	(196,680)

A. SORIANO CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousand pesos)

	Attributable to Equity Holders of the Parent						Retained Earnings				
	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	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interest	Total
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	-	-	-	(1,140,610)	700	12,347	-	908,158	-	22,725	(196,680)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(38,867)	(38,867)
Balance at 03/31/2015	2,500,000	1,605,614	(26,357)	2,098,209	41,543	23,050	4,600,000	5,937,363	(2,163,649)	358,119	14,973,892
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	-	-	-	505,724	1,704	(67,293)	-	435,370	-	23,638	899,143
Cash dividends - net	-	-	-	-	-	-	-	(246,519)	-	-	(246,519)
Appropriation of retained earnings	-	-	-	-	-	-	100,000	(100,000)	-	-	-
Sale of shares held by a subsidiary	-	-	-	-	-	-	-	-	(6,768)	-	(6,768)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	17	17
Balance at 03/31/2016	**2,500,000**	**1,605,614**	**(26,357)**	**1,191,978**	**36,696**	**120,624**	**6,400,000**	**4,576,631**	**(2,226,273)**	**401,881**	**14,580,794**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**567,441**	997,922
Adjustment for:		
Depreciation and amortization	**57,533**	52,500
Interest expense	**27,217**	30,230
Valuation allowances - net	**25,158**	160
Gain on sale of property and equipment	**(650)**	-
Gain on sale of AFS investments	**(178,956)**	(847,905)
Dividend income	**(37,822)**	(57,489)
Interest income	**(20,726)**	(20,688)
Foreign exchange loss (gain) - net	**(11,751)**	3,512
Gain in increase in market values of FVPL investments	**(6,423)**	(2,081)
Equity in net earnings of associates	**-**	78,611
Operating income before working capital changes	**421,020**	234,772
Decrease (increase) in:		
FVPL investments	**(93,154)**	68,985
Receivables	**(147,263)**	(285,113)
Inventories	**69,558**	45,689
Property development in progress	**(37,184)**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**94,359**	67,193
Retirement benefits payable	**3,921**	1,226
Customer' deposit for property development	**(978)**	112,828
Net cash generated from operations	**310,280**	245,580
Dividend received	**37,822**	57,489
Interest received	**20,792**	20,913
Interest paid	**(27,217)**	(30,230)
Income taxes paid	**(617)**	(5,646)
Net cash flows from operating activities	**341,059**	288,107

	Periods Ended March 31	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
AFS investments	**618,231**	2,798,088
Property and equipment	**650**	874
Addition to:		
AFS investments	**(279,408)**	(2,731,923)
Long-term investments	**-**	(2,100)
Property and equipment	**(34,130)**	(56,918)
Decrease (increase) in:		
Prepayments and other assets	**(35,762)**	(189,177)
Other noncurrent liabilities	**12,395**	(14,006)
Advances to affiliates	**(6,577)**	(1,487)
Net cash flows from (used in) investing activities	**275,400**	(196,648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Long--term debt	**(159,297)**	(58,229)
Notes payable	**(26,198)**	67,454
Dividends	**-**	(310,525)
Share held by a subsidiary	**(6,768)**	-
Increase (decrease) in:		
Deferred revenue	**(205)**	(2,891)
Minority interest	**17**	(38,867)
Net cash flows from (used in) financing activities	**(192,450)**	(343,058)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(5,858)**	(3,346)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**418,151**	(254,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,774,319**	1,401,034
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,192,470**	1,146,088

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	March 31 2016	December 31 2015
ASSETS		
Cash and Cash Equivalents	**588,298**	443,236
Fair Value through Profit and Loss (FVPL) Investments	**580,293**	498,665
Available for Sale (AFS) Investments	**7,100,795**	7,080,872
Receivables - net	**160,793**	140,461
Investments and Advances- net	**8,171,126**	8,132,207
Property and Equipment - net	**28,769**	29,727
Retirement Plan Asset	**56,850**	56,850
Other Assets	**1,110**	859
TOTAL ASSETS	**16,688,035**	16,382,877
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**86,601**	71,925
Dividends Payable	**476,168**	229,649
Long-term Debt	**1,763,631**	1,905,930
Deferred Income Tax Liabilities - net	**55,821**	45,417
Total Liabilities	**2,382,221**	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	**1,153,700**	649,259
Remeasurement on Retirement Benefits	**32,505**	32,505
Retained Earnings		
Appropriated	**6,400,000**	6,300,000
Unappropriated	**2,629,810**	3,058,392
Total Equity	**14,305,814**	14,129,956
TOTAL LIABILITIES AND EQUITY	**16,688,035**	16,382,877

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2016	2015
REVENUES		
Dividend income (Note 1)	**37,677**	1,557,417
Management fees	**21,992**	15,956
Interest income	**19,547**	19,493
	79,216	1,592,866
INVESTMENT GAINS		
Gains on increase in market values of FVPL investments	**6,345**	1,964
Gain on sale of AFS investments	**180,042**	847,905
	186,386	849,869
	265,602	2,442,735
Operating expenses	**(81,287)**	(115,619)
Foreign exchange gain (loss)	**7,224**	(5,182)
Interest expense	**(13,824)**	(28,768)
Others	**713**	57
	(87,174)	(149,511)
INCOME BEFORE INCOME TAX	**178,428**	2,293,224
PROVISION FOR (BENEFIT FROM INCOME TAX) - NET	**7,011**	(2,417)
NET INCOME	**171,417**	2,295,641
Earnings Per Share	**0.07**	0.92

Note 1: 2015 included the nonrecurring P1.5 billion cash dividend from Phelps Dodge Phils.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended March 31	
	2016	2015
NET INCOME FOR THE PERIOD	**171,417**	2,295,641
OTHER COMPREHENSIVE INCOME (LOSS)		
unrealized valuation gain (loss) on AFS investments	**687,773**	(241,464)
Realized gains on sale of AFS investments, net of impairment losses	**(180,042)**	(890,269)
Income tax effect	**(3,291)**	(9,167)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**504,441**	(1,140,900)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**675,858**	1,154,741

A. SORIANO CORPORATION

PARENT STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
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	-	-	(1,140,900)	-	-	2,295,641	1,154,741
Balance at 03/31/2015	2,500,000	1,589,800	2,061,271	36,608	4,600,000	4,544,547	15,332,225
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	-	-	504,441	-	-	171,417	675,858
Appropriation of retained earnings	-	-	-	-	100,000	(100,000)	-
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 03/31/2016	**2,500,000**	**1,589,800**	**1,153,700**	**32,505**	**6,400,000**	**2,629,810**	**14,305,814**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**178,428**	2,293,224
Adjustment for:		
Interest expense	**13,824**	28,768
Depreciation and amortization	**1,842**	1,784
Gain on sale of AFS investments	**(180,042)**	(847,905)
Dividend income	**(37,677)**	(1,557,417)
Unrealized foreign exchange loss (gain)	**(7,121)**	5,182
Interest income	**(19,547)**	(19,493)
Gain on increase in market values of FVPL investments	**(6,345)**	(1,964)
Gain on sale of property and equipment	**(650)**	-
Operating loss before working capital changes	**(57,287)**	(97,822)
Increase in receivables	**(20,332)**	(20,439)
Increase in FVPL investments	**(87,271)**	69,000
Increase (decrease) in accounts payable and accrued expenses	**14,676**	(12,281)
Net cash used in operations	**(150,214)**	(61,542)
Dividend received	**37,677**	57,417
Interest received	**19,613**	19,493
Interest paid	**(13,824)**	(28,546)
Net cash flows used in operating activities	**(106,748)**	(13,178)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
AFS investments	**616,383**	2,795,463
Property and equipment	**650**	-
Redemption of preferred shares	**-**	62,300
Additions to:		
AFS investments	**(217,155)**	(2,730,912)
Property and equipment	**(885)**	(69)
Increase in:		
Advances to affiliates	**(38,919)**	18,748
Other assets	**(251)**	(239)
Net cash flows from investing activities	**359,823**	145,292

	Periods Ended March 31	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed (payment) of:		
Long-term debt	**(104,400)**	-
Notes payable	**-**	80,000
Cash dividends	**-**	(310,525)
Net cash flows used in financing activities	**(104,400)**	(230,525)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(3,612)**	(1,762)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**145,062**	(100,173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**443,236**	342,806
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**588,298**	242,633

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	. Holding Co (Parent)	Total	Eliminations	**Consolidated**
03/31/2016								
REVENUE	598,664	1,565,111	206,786	338,702	265,602	2,974,866	(328,562)	**2,646,304**
NET INCOME (LOSS)	56,750	176,738	37,650	274,740	171,417	717,296	(258,288)	**459,008**
TOTAL ASSETS	1,080,912	3,792,081	1,805,472	3,928,828	16,688,035	27,295,328	(6,921,414)	**20,373,913**
INVESTMENTS AND ADVANCES	-	9,637	389,506	3,598,754	15,852,214	19,850,111	(9,172,879)	**10,677,233**
PROPERTY & EQUIPMENT	4,647	562,940	539,341	94,709	28,769	1,230,407	1,154,650	**2,385,056**
TOTAL LIABILITIES	131,833	1,743,045	1,036,331	3,689,525	2,382,221	8,982,955	(3,189,836)	**5,793,119**
DEPRECIATION AND AMORTIZATION	1,331	17,124	23,665	6,907	1,842	50,870	6,663	**57,533**

	Before Eliminations							After Eliminations
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations	Holding Co. (Parent)	Total	Eliminations	**Consolidated**
03/31/2015								
REVENUE	389,281	1,495,822	209,073	68,488	2,442,735	4,605,399	(1,594,017)	**3,011,382**
NET INCOME (LOSS)	40,216	124,998	40,294	8,368	2,295,641	2,509,516	(1,578,633)	**930,883**
TOTAL ASSETS	921,920	3,507,687	1,676,365	3,440,997	19,456,326	29,003,296	(7,985,942)	**21,017,354**
INVESTMENTS AND ADVANCES*	-	8,468	114,728	3,120,751	18,963,000	20,706,947	(10,196,915)	**12,010,031**
PROPERTY & EQUIPMENT	9,124	564,699	845,121	67,340	31,259	1,517,544	831,505	**2,349,049**
TOTAL LIABILITIES	120,604	1,977,808	971,313	3,663,937	4,124,101	10,857,762	(4,814,300)	**6,043,462**
DEPRECIATION AND AMORTIZATION	769	16,682	22,560	10,706	1,784	52,500	-	**52,500**

***** *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.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>

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 March 31, 2016 and December 31, 2015:

		Percentage of Ownership	
	Nature of Business	**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.	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	–
Minuet Realty Corporation	Landholding	100	–
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	100	–
PD Energy International Corporation	Wire Manufacturing	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	–
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.

<u>Current Versus Noncurrent Classification</u>
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 these are 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:

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

<u>Business Combinations and Goodwill</u>

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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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.

<u>Day 1 Difference</u>
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.

<u>Costs and Expenses</u>
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.

<u>Borrowing Costs</u>
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.

<u>Pension Benefits</u>
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 March 31, 2016 and March 31, 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 March 31, 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 ₱100.0 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 P1,839.2 million and P1,852.4 million as of March 31, 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 March 31, 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)	March 31, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds	**₱570,725**	**₱570,725**	₱481,185	₱481,185
Funds and equities	**4,981**	**4,981**	6,352	6,352
Others	**20,859**	**20,859**	21,440	21,440
	596,565	**596,565**	508,977	508,977
AFS investments:				
Bonds and convertible note	**890,355**	**890,355**	907,452	907,452
Quoted equity shares	**5,404,835**	**5,404,835**	5,082,199	5,082,199
Funds and equities	**72,631**	**72,631**	108,212	108,212
Proprietary shares	**190,450**	**190,450**	190,450	190,450
Unquoted shares	**861,146**	**861,146**	861,146	861,146
	7,419,417	**7,419,417**	7,149,459	7,149,459
	₱8,015,982	**₱8,015,982**	₱7,658,436	₱7,658,436

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 March 31, 2016 and December 31, 2015, AFS investments amounting to ₱319.3 million and ₱266.4 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 March 31, 2016:

		Fair value measurement using		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Bonds	**₱570,725**	**₱570,725**	**₱–**	**₱–**
Funds and equities	**4,981**	**4,981**	**–**	**–**
Others	**20,859**	**20,859**	**–**	**–**
	596,565	**596,565**	**–**	**–**
AFS investments:				
Bonds	**890,355**	**890,355**	**–**	**–**
Quoted equity shares	**5,404,835**	**5,404,835**	**–**	**–**
Funds and equities	**72,631**	**72,631**	**–**	**–**
Proprietary shares	**190,450**	**190,450**	**–**	**–**
Unquoted shares	**861,146**	**-**	**–**	**861,146**
	7,419,417	**6,558,271**	**–**	**861,146**
	₱8,015,982	**₱7,154,836**	**₱–**	**₱861,146**

As of December 31, 2015:

	Total	Fair value measurement using Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱481,185	₱481,185	₱–	₱–
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
	₱7,658,436	₱6,797,290	₱–	₱861,146

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 ₱344 15%:fair value of ₱347
		Tuition fee increase by 5%	0% to 5%	0%: fair value of ₱309 5% fair value of ₱389
		Cost of capital of 14%	12% to 16%	12%: fair value of ₱438 16%: fair value of ₱289
KSA	DCF Model	Dividend payout is 60 million	-5% to 10%	-5% fair value of ₱497 10% fair value of ₱556
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱524 30% fair value of ₱508
		Cost of capital of 11.5%	10% to 13%	10%: fair value of ₱571 13% fair value of ₱469

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 31 March 2016	**₱345**	**₱516**	**₱861**

For the periods ended March 31, 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 March 31, 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 P616.4 million offset by cash used in financing activity.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

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 P93.2 million. The market value of foreign denominated investment in bonds, stocks and funds increased by P6.4 million vs. December 31, 2015 values. Unrealized foreign exchange loss related to foreign denominated investments amounted to P12.0 million.

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

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

Prepayments
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 P322.9 million. There was an increase in market value of AFS investments of about P502.3 billion offset by net addition to AFS investments of P159.9 million and unrealized foreign exchange loss of P19.5 million for three months of 2016.

Investments and Advances
The decrease in investments and advances was mainly due to unrealized foreign exchange loss related to foreign equity investment amounting to P42.8 million. Advances to associates amounted to P6.6 million for the first quarter of 2016.

Goodwill
The goodwill from US-based staffing business decreased by P13.3 million due to foreign exchange loss from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net
Depreciation charged to operations amounted to P57.5 million while net additions to property and equipment amounted to P34.1 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 zero balance in 2016 was due to payment of P26.2 million short-term loan of Cirrus Group.

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.

Dividends Payable

Movement in the account was mainly attributable to dividend declared by the Parent Company to stockholders of record as of March 23, 2016, which will be paid on April 20, 2016.

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Income Tax Payable

Movement in the account was attributable to higher tax provision of PDP for the first quarter of 2016.

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to P159.3 billion loan paid by the Parent Company and PDP. Also, unrealized foreign exchange gain of P37.8 million from the translation of the foreign denominated loan reduced the loan balance as of March 31, 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

Movement in the account 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 US$ vis-à-vis Philippine peso, CTA balance decreased by P67.3 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 P505.7 million from January 1 to March 31, 2016.

Others

There were no commitments for major capital expenditures in 2015.

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 March 31	
	2016	*2015*
Revenues (excluding investment gains or losses) (Note 1)	***79,216***	*1,592,866*
Investment Gains	***186,386***	*849,869*
Net Income	***171,417***	*2,295,641*
Earnings Per Share	***0.07***	*0.92*
Market Price Per Share (PSE)	***6.12***	*7.36*

Note 1: Included nonrecurring 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 P2.6 billion was 12.1% below from last year's revenue of P3.1 billion. This was mainly due to lower gain on sale traded securities for three months of 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. Cost of goods sold of PDP was lower than compared to last year's cost.

Operating Expenses
The group reported lower operating expenses for the 1st quarter of 2016 mainly due lower operating cost of the Parent Company.

Foreign Exchange Gain

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

Interest Expense

Short-term loan availed by the Parent Company in the 1st quarter of 2015 was subsequently paid, thus interest charges was lower compared to the interest expense reported for the same period last year.

Provision for Income Tax - net

The current provision for income tax of the group increased due to higher income tax expense of PDP for the period January 1 to March 31, 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 the period ended March 31, 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 cyclicality 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 three 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 March 31	
	2016	*2015*
Volume sold (MT)		
Domestic	**3,546**	3,094
Export	**251**	208
Total	**3,797**	3,302
Revenue	**1,565,111**	1,495,822
Gross Margin	**447,926**	330,678
Net Income	**176,738**	124,998

Volume sold was higher than last year, coupled with reduced metal and other production costs, the PDP Energy's gross margin increased by 35.5% in 2016 as against 2015's gross margin.

PDP recorded a net income of P176.7 million for 3 months of 2016, higher than the P125.0 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 48.9% for three months of 2016, lower than the 2015 average occupancy rate of 60.9%. Average room rate was US$1,384, an improvement from last year's average room rate of US$1,189. Total hotel revenues amounted to P206.8 million, down by P2.2 million from last year's revenues of

P209.0 million. Gross operating profit (GOP) of P94.36 million decreased versus 2015's GOP.

Seven Seas reported a net income of P37.7 million for three months of 2016.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a consolidated $1.2 million net income for year to date March 31, 2016 vs $905 thousand in comparative period. The staffing division saw growth in all its divisions vs the same quarter last year; Travel nursing registered a 56% growth while travel therapy increased by 64%. International and permanent placement division contributed $170K in total revenues. The increase in placement and working headcount and focus on quality placements with higher bill rates and consistent work hours resulted to a strong gross margin of 25.4%. Nurse Together, LLC contributed $40 thousand to the overall net income of the Group.

The Group continues to focus on controlling expenses, maximizing efficiency and aligning personnel size based on the requirements of the company.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	03/31/2016	03/31/2015
1. Book Value Per Share (Note 1)	**11.50**	11.77
2. Current Ratio (Note 2)	**2.07**	1.21
3. Interest Rate Coverage Ratio (Note 3)	**21.85**	34.01
4. Debt to Equity Ratio (Note 4)	**0.41**	0.41
5. Asset to Equity Ratio (Note 5)	**1.44**	1.44
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**16.5%**	30.2%
7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**3.1%**	6.2%

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

	03/31/2016	03/31/2015
1. Volume	**3,797**	3,302
2. Net Sales	**1,565,111**	1,495,822
3. Gross Margin	**447,926**	330,678
4. Net income	**176,738**	124,998

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

	03/31/2016	03/31/2015
3. Service income	**598,664**	389,281
4. Cost of services rendered	**442,975**	305,401
5. Net Income	**56,750**	40,216

Seven Seas Group

In Thousand Pesos

	03/31/2016	03/31/2015
1. Occupancy rate	**48.9%**	60.9%
2. Hotel revenue	**206,786**	208,992
3. Gross operating profit (GOP)	**94,258**	95,027
4. GOP ratio	**45.6%**	45.8%
5. Net income	**37,650**	38,921

Occupancy rate is based on actual room nights sold over available room nights on a 3-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.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

				P	W	2				

COMPANY NAME

A SORIANO CORPORATION AND
SUBSIDIARIES

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

7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat
Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	**Third Wednesday of April**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**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 June 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/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. 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
Common	2,500,000,000

………
………

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

SECForm 17Q
August 15, 2016

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 [x] No [ ]

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

Yes [ ] No. [x]

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: August 15, 2016

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: August 15, 2016

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August 15, 2016

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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	June 30 2016	December 31 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**1,906,435**	1,774,319
Fair value through profit and loss (FVPL) investments	**568,240**	508,977
Receivables	**2,152,769**	1,958,669
Inventories	**616,384**	700,984
Property development in progress	**117,188**	175,812
Available-for-sale (AFS) investments - current	**78,916**	56,786
Prepayments	**97,404**	75,182
Other current assets	**91,349**	81,898
Total Current Assets	**5,628,685**	5,332,626
Noncurrent Assets		
AFS investments - net of current portion	**7,727,778**	7,358,993
Investments and advances	**1,819,290**	1,824,260
Goodwill	**1,851,028**	1,852,422
Property and equipment	**2,667,336**	2,701,877
Investment properties	**259,116**	260,570
Retirement plan asset	**59,010**	59,483
Other noncurrent assets	**141,203**	102,954
Total Noncurrent Assets	**14,524,762**	14,160,559
TOTAL ASSETS	**20,153,447**	19,493,185

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**209,000**	26,198
Accounts payable and accrued expenses	**939,711**	916,123
Dividends payable	**229,649**	229,649
Customer's deposits for property development	**312,770**	597,268
Income tax payable	**111,465**	85,381
Current portion of long-term debt	**303,570**	638,071
Total Current Liabilities	**2,106,165**	2,492,690

	June 30 2016	December 31 2015
Noncurrent Liabilities		
Long-term debt - net of current portion	**2,471,690**	2,459,836
Deferred revenues	**9,836**	10,118
Deferred income tax liabilities - net	**479,666**	443,679
Retirement benefits payable	**8,261**	6,667
Other noncurrent liabilities	**172,542**	145,276
Total Noncurrent Liabilities	**3,141,995**	3,065,575
Total Liabilities	**5,248,160**	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	**177,674**	187,917
Equity reserve on acquisition of noncontrolling interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**958,915**	686,254
Remeasurement on retirement benefits	**36,696**	34,993
Retained Earnings		
Appropriated	**6,400,000**	6,300,000
Unappropriated	**5,023,425**	4,487,779
Cost of shares held by a subsidiary	**(2,226,273)**	(2,219,505)
	14,449,695	13,556,695
Noncontrolling interests	**455,592**	378,226
Total Equity	**14,905,286**	13,934,921
TOTAL LIABILITIES AND EQUITY	**20,153,447**	19,493,185

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
REVENUES				
Sales	**3,162,424**	3,118,613	**1,597,313**	1,622,790
Services	**1,678,618**	1,267,815	**845,876**	617,763
Sale of villa	**292,721**	-	**292,721**	-
Dividend income	**69,318**	163,111	**31,496**	105,622
Interest income	**43,212**	42,427	**22,486**	21,739
Management fee	**6,369**	36,444	**1,845**	20,488
Equity in net loss of associate	**-**	(211,028)	**-**	(132,417)
	5,252,661	4,417,381	**2,791,737**	2,255,985
INVESTMENT GAINS				
Gain on sale of AFS investments	**258,864**	1,046,977	**79,908**	199,071
Gain on increase in market values of FVPL investments	**21,299**	4,762	**14,875**	2,681
	280,163	1,051,738	**94,783**	201,752
	5,532,824	5,469,119	**2,886,520**	2,457,738
Cost of goods sold/services rendered	**(3,464,602)**	(3,253,437)	**(1,766,884)**	(1,659,838)
Operating expenses	**(655,733)**	(701,976)	**(321,289)**	(313,397)
Cost of villa sold	**(146,454)**	-	**(146,454)**	-
Interest expense	**(55,035)**	(59,893)	**(27,817)**	(29,664)
Valuation allowances – net	**(44,071)**	(350)	**(18,913)**	(191)
Foreign exchange gain (loss)	**1,239**	(8,287)	**(3,738)**	(5,035)
Other income – net	**(227**	115,417	**9,075**	113,057
	(4,364,883)	(3,908,526)	**(2,286,020)**	(1,895,067)
INCOME BEFORE INCOME TAX	**1,167,941**	1,560,593	**600,500**	562,671
PROVISION FOR INCOME TAX – net	**200,029**	149,611	**91,596**	82,572
NET INCOME	**967,912**	1,410,982	**508,904**	480,099

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
Attributable to:				
Equity holdings of the parent	**882,164**	1,365,763	**446,794**	457,605
Minority interest	**85,748**	45,219	**62,110**	22,494
	967,912	1,410,982	**508,904**	480,099
EARNINGS PER SHARE - basic/diluted, for net income attributable to equity holdings of the Parent	**0.72**	1.10	**0.36**	0.37

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
NET INCOME FOR THE PERIOD	**967,912**	1,410,982	**508,904**	480,099
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	**516,601**	(540,319)	**(164,677)**	(299,168)
Realized gains on sale of AFS investments, net of impairment losses	**(248,864)**	(993,221)	**(69,908)**	(102,952)
Cumulative translation adjustment	**(10,243)**	44,467	**57,050**	32,120
Unrealized gain on remeasurement of retirement benefits	**2,434**	1,155	**-**	155
Income tax effect	**4,194**	(15,053)	**1,522**	(5,562)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**264,122**	(1,502,971)	**(176,013)**	(375,408)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**1,232,034**	(91,989)	**332,891**	104,691

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	Attributable to Equity Holders of the Parent						Retained Earnings				
	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	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interest	Total
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	-	-	-	(1,545,117)	808	44,467	-	1,365,763	-	45,219	(88,859)
Cash dividends - net	-	-	-	-	-	-	-	(124,208)	-	-	(124,208)
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(7,828)	-	(7,828)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(38,815)	(38,815)
Balance at 6/30/2015	2,500,000	1,605,614	(26,357)	1,693,703	41,652	55,169	4,600,000	6,270,760	(2,171,477)	380,666	14,949,729
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	-	-	-	272,661	1,704	(10,243)	-	882,164	-	85,748	1,232,034
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	-	-	-	-	-	-	-	-	-	(8,382)	(8,382)
Balance at 06/30/2016	**2,500,000**	**1,605,614**	**(26,357)**	**958,915**	**36,696**	**177,674**	**6,400,000**	**5,023,425**	**(2,226,273)**	**455,592**	**14,905,286**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**1,167,941**	1,560,593	**600,500**	562,671
Adjustment for:				
Depreciation and amortization	**115,831**	100,589	**58,298**	48,089
Interest expense	**55,035**	59,893	**27,817**	29,664
Valuation allowances - net	**44,071**	350	**18,913**	191
Gain on sale of AFS investments	**(258,864)**	(1,046,977)	**(79,908)**	(199,071)
Dividend income	**(69,318)**	(163,111)	**(31,496)**	(105,622)
Interest income	**(43,212)**	(42,427)	**(22,486)**	(21,739)
Gain on increase in market values of FVPL investments	**(21,299)**	(4,762)	**(14,875)**	(2,681)
Foreign exchange loss (gain) - net	**(8,809)**	25,342	**2,942**	21,830
Equity in net loss of associate	**-**	211,028	**-**	132,417
Gain on sale of property and equipment	**(665)**	-	**(15)**	-
Operating income before working capital changes	**980,711**	700,520	**559,691**	465,748
Decrease (increase) in:				
FVPL investments	**(38,502)**	98,923	**54,652**	29,938
Receivables	**(238,171)**	(344,906)	**(90,908)**	(59,793)
Inventories	**84,600**	146,840	**15,042**	101,152
Property development in progress	**58,624**	-	**95,808**	-
Investment properties	**1,454**	-	**-**	-
Increase (decrease) in:				
Accounts payable and accrued expenses	**23,588**	(36,148)	**(70,771)**	(103,341)
Retirement benefits payable	**4,501**	454	**580**	(772)
Customer' deposit for property development	**(284,498)**	237,211	**(283,521)**	124,383
Net cash generated from operations	**592,307**	802,895	**282,026**	557,315
Dividend received	**69,318**	163,111	**31,496**	105,622
Interest received	**43,435**	42,806	**22,643**	21,893

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
Interest paid	**(55,035)**	(59,893)	**(27,817)**	(29,664)
Income taxes paid	**(136,659)**	(105,667)	**(136,042)**	(100,021)
Net cash flows from operating activities	**513,366**	843,252	**172,306**	555,145
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**954,226**	3,365,976	**335,994**	567,888
Property and equipment	**665**	874	**15**	-
Addition to:				
AFS investments	**(810,936)**	(3,307,904)	**(531,528)**	(575,981)
Long-term investments	**-**	(2,100)	**-**	-
Property and equipment	**(81,290)**	(124,948)	**(47,160)**	(68,030)
Decrease (increase) in:				
Prepayments and other assets	**(69,924)**	(256,543)	**(34,162)**	(67,366)
Other noncurrent liabilities	**27,266**	26,640	**14,871**	40,646
Advances to affiliates	**470**	-	**7,047**	1,487
Net cash flows from (used in) investing activities	**20,477**	(298,004)	**(254,923)**	(101,355)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from long-term debt	**(317,313)**	1,135,896	**(158,016)**	1,194,125
Addition to (payment of):				
Notes payable	**182,802**	(1,326,511)	**209,000**	(1,393,964)
Dividends	**(246,519)**	(434,733)	**(246,519)**	(124,208)
Shares held by a subsidiary	**(6,768)**	(7,828)	**-**	(7,828)
Increase (decrease) in:				
Deferred revenue	**(282)**	(3,031)	**(78)**	(140)
Minority interest	**(8,382)**	(38,815)	**(8,399)**	53
Net cash flows used in financing activities	**(396,462)**	(675,021)	**(204,011)**	(331,963)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(5,266)**	(8,380)	**593**	(5,035)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**132,115**	(138,153)	**(286,035)**	116,793
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,774,319**	1,401,034	**2,192,470**	1,146,088
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,906,435**	1,262,880	**1,906,435**	1,262,880

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	June 30	December 31
	2016	2015
ASSETS		
Cash and Cash Equivalents	**472,251**	443,236
Fair Value through Profit and Loss (FVPL)		
Investments	**551,356**	498,665
Available for Sale (AFS) Investments	**7,391,669**	7,080,872
Receivables - net	**157,354**	140,461
Investments and Advances- net	**8,294,777**	8,132,207
Property and Equipment - net	**27,180**	29,727
Retirement Plan Asset	**56,850**	56,850
Other Assets	**1,249**	859
TOTAL ASSETS	**16,952,686**	16,382,877

LIABILITIES AND EQUITY		
Liabilities		
Notes Payable	**209,000**	-
Accounts Payable and Accrued Expenses	**315,902**	71,925
Dividends Payable	**229,649**	229,649
Long-term Debt	**1,690,560**	1,905,930
Deferred Income Tax Liabilities - net	**57,611**	45,417
Total Liabilities	**2,502,722**	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	**919,688**	649,259
Remeasurement on Retirement Benefits	**32,505**	32,505
Retained Earnings		
Appropriated	**6,400,000**	6,300,000
Unappropriated	**3,007,971**	3,058,392
Total Equity	**14,449,964**	14,129,956
TOTAL LIABILITIES AND EQUITY	**16,952,686**	16,382,877

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
REVENUES				
Dividend income (Note 1)	**324,173**	1,895,892	**286,496**	338,476
Management fees	**43,098**	36,444	**21,106**	20,488
Interest income	**39,492**	39,152	**19,945**	19,659
	406,762	1,971,488	**327,547**	378,623
INVESTMENT GAINS				
Gain on sale of AFS investments	**258,350**	1,047,224	**78,308**	199,319
Gains on increase in market values of FVPL investments	**20,896**	4,578	**14,552**	2,613
	279,246	1,051,802	**92,860**	201,932
	686,009	3,023,290	**420,407**	580,555
Operating expenses	**(116,114)**	(151,332)	**(34,827)**	(35,713)
Interest expense	**(27,582)**	(47,029)	**(13,759)**	(18,261)
Foreign exchange gain (loss)	**2,312**	(9,344)	**(4,912)**	(4,162)
Others	**11,994**	441	**11,281**	384
	(129,390)	(207,264)	**(42,216)**	(57,752)
INCOME BEFORE INCOME TAX	**556,619**	2,816,026	**378,190**	522,802
PROVISION FOR (BENEFIT FROM) INCOME TAX - NET	**7,040**	(1,405)	**29**	1,013
NET INCOME	**549,579**	2,817,430	**378,161**	521,789
Earnings Per Share	**0.22**	1.13	**0.15**	0.21

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 June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
NET INCOME FOR THE PERIOD	**549,579**	2,817,430	**378,161**	521,789
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	**533,933**	(540,841)	**(153,840)**	(299,377)
Realized gains on sale of AFS investments, net of impairment losses	**(258,350)**	(993,469)	**(78,308)**	(103,199)
Income tax effect	**(5,154)**	(11,003)	**(1,864)**	(1,836)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**270,429**	(1,545,312)	**(234,012)**	(404,412)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**820,008**	1,272,118	**144,149**	117,378

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 Appropriated	Retained Earnings Unappropriated	Total
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	-	-	(1,545,312)	-	-	2,817,430	1,272,118
Cash dividends	-	-	-	-	-	(250,000)	(250,000)
Balance at 06/30/2015	2,500,000	1,589,800	1,656,859	36,608	4,600,000	4,816,336	15,199,603
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	-	-	270,429	-	-	549,579	820,008
Appropriation of retained earnings	-	-	-	-	100,000	(100,000)	-
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 06/30/2016	**2,500,000**	**1,589,800**	**919,688**	**32,505**	**6,400,000**	**3,007,971**	**14,449,964**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**556,619**	2,816,026	**378,190**	522,802
Adjustment for:				
Interest expense	**27,582**	47,029	**13,759**	18,261
Depreciation and amortization	**3,685**	3,573	**1,842**	1,789
Dividend income	**(324,173)**	(1,895,892)	**(286,496)**	(338,476)
Gain on sale of AFS investments	**(258,350)**	(1,047,224)	**(78,308)**	(199,319)
Interest income	**(39,492)**	(39,152)	**(19,945)**	(19,659)
Gain on increase in market values of FVPL investments	**(20,896)**	(4,578)	**(14,552)**	(2,613)
Unrealized foreign exchange loss (gain)	**(2,312)**	9,344	**4,912**	4,162
Gain on sale of property and equipment	**(665)**	-	**(15)**	-
Operating loss before working capital changes	**(58,003)**	(110,874)	**(612)**	(13,052)
Decrease (increase) in:				
Receivables	**(16,893)**	(5,921)	**3,439**	14,518
FVPL investments	**(31,258)**	99,021	**56,013**	30,021
Decrease in accounts payable and accrued expenses	**(9,505)**	(75,871)	**(24,180)**	(63,590)
Net cash generated (used in) operations	**(115,658)**	(93,644)	**34,660**	(32,103)
Dividend received	**199,173**	1,895,892	**161,496**	1,838,476
Interest received	**39,714**	39,152	**20,102**	19,659
Interest paid	**(27,582)**	(46,653)	**(13,759)**	(18,107)
Income tax paid	**-**	(420)	**-**	(420)
Net cash flows from operating activities	**95,647**	1,794,327	**202,498**	1,807,506

	Periods Ended June 30		Quarters Ended June 30	
	2016	2015	**2016**	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**928,646**	3,363,351	**312,263**	567,888
Property and equipment	**665**	-	**15**	-
Redemption of preferred shares	**-**	62,300	**-**	-
Additions to:				
AFS investments	**(706,502)**	(3,278,900)	**(489,347)**	(547,988)
Property and equipment	**(1,138)**	(106)	**(253)**	(37)
Increase in:				
Advances to affiliates	**(37,570)**	44,113	**1,349**	25,364
Other assets	**(389)**	300	**(138)**	539
Net cash flows from (used in) investing activities	**183,712**	191,058	**(176,111)**	45,766
CASH FLOWS FROM FINANCING ACTIVITIES				
Addition to (payment of):				
Long-term debt	**(210,038)**	-	**(105,638)**	-
Notes payable	**209,000**	(1,500,000)	**209,000**	(1,580,000)
Cash dividends	**(246,519)**	(560,525)	**(246,519)**	(250,000)
Net cash flows used in financing activities	**(247,556)**	(2,060,525)	**(143,156)**	(1,830,000)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(2,788)**	12,256	**721**	14,018
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,015**	(62,884)	**(116,048)**	37,289
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**443,236**	342,806	**588,298**	242,633
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**472,251**	279,923	**472,251**	279,923

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**
6/30/2016								
REVENUE	1,212,913	3,162,424	370,096	696,247	686,009	6,127,689	(594,865)	**5,532,824**
NET INCOME	116,519	356,835	185,883	276,890	549,579	1,485,706	(517,794)	**967,912**
TOTAL ASSETS	1,179,453	3,726,775	1,647,769	11,578,751	16,952,686	35,085,434	(14,931,987)	**20,153,447**
INVESTMENTS ASSETS	-	9,637	94,827	11,290,271	16,237,802	27,632,538	(17,179,198)	**10,453,340**
PROPERTY & EQUIPMENT	4,733	572,702	815,438	99,295	27,180	1,519,349	1,147,987	**2,667,336**
TOTAL LIABILITIES	162,889	1,747,642	730,396	3,746,886	2,502,722	8,890,534	(3,642,374)	**5,248,160**
DEPRECIATION AND AMORTIZATION	2,638	47,968	38,443	13,769	3,685	106,503	9,328	**115,831**

	Before Eliminations							After Eliminations
	US-based** Nurse Staffing Co.	Wire *** Manufacturing	Resort Operation	Other Operations (Note 1)	. Holding Co (Parent)	Total	Eliminations	**Consolidated**
06/30/2015								
REVENUE	813,407	3,118,613	359,752	254,641	3,023,290	7,569,702	(2,100,583)	**5,469,119**
NET INCOME	88,818	293,321	81,936	199,130	2,817,430	3,480,635	(2,069,652)	**1,410,982**
TOTAL ASSETS	972,123	3,463,108	1,823,741	3,494,159	17,700,723	27,453,854	(6,599,847)	**20,854,007**
INVESTMENTS AND ADVANCES*	-	8,468	112,560	3,172,676	17,186,916	20,480,620	(8,802,117)	**11,678,504**
PROPERTY & EQUIPMENT	3,956	577,334	841,153	85,535	29,507	1,537,485	831,505	**2,368,990**
TOTAL LIABILITIES	114,377	1,872,007	1,077,045	3,537,764	2,501,120	9,102,313	(3,198,035)	**5,904,278**
DEPRECIATION AND AMORTIZATION	2,661	33,810	44,939	15,606	3,573	100,589	-	**100,589**

****** 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.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>

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 June 30, 2016 and December 31, 2015:

		Percentage of Ownership	
	Nature of Business	**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.

<u>Current Versus Noncurrent Classification</u>

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 these are 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:

		Percentage of Ownership	
	Nature of Business	**2016**	2015
Vicinetum Holdings, Inc.	Holding	**32**	32
AGP International Holdings Ltd.*	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 June 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 June 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 June 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 June 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 June 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 June 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 June 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.

<u>Other Comprehensive Income</u>
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.

<u>Cash and Cash Equivalents</u>
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.

<u>Inventories</u>
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.

<u>Earnings Per Share</u>
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 June 30, 2016 and June 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.

<u>Estimates and Assumptions</u>
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 June 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 P1,839.2 million and P1,852.4 million as of June 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 June 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)	June 30, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds	**₱541,292**	**₱541,292**	₱481,185	₱481,185
Funds and equities	**5,052**	**5,052**	6,352	6,352
Others	**21,896**	**21,896**	21,440	21,440
	568,240	**568,240**	508,977	508,977
AFS investments:				
Bonds and convertible note	**1,023,854**	**1,023,854**	907,452	907,452
Quoted equity shares	**5,136,888**	**5,136,888**	5,082,199	5,082,199
Funds and equities	**59,462**	**59,462**	108,212	108,212
Proprietary shares	**190,950**	**190,950**	190,450	190,450
Unquoted shares	**1,070,044**	**1,070,044**	861,146	861,146
	7,481,198	**7,481,198**	7,149,459	7,149,459
	₱8,049,438	**₱8,049,438**	₱7,658,436	₱7,658,436

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 June 30, 2016 and December 31, 2015, AFS investments amounting to ₱325.5 million and ₱266.4 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 June 30, 2016:

		Fair value measurement using		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Bonds	**₱541,292**	**₱541,292**	**₱–**	**₱–**
Funds and equities	**5,052**	**5,052**	**–**	**–**
Others	**21,896**	**21,896**	**–**	**–**
	568,240	**568,240**	**–**	**–**
AFS investments:				
Bonds	**1,023,854**	**1,023,854**	**–**	**–**
Quoted equity shares	**5,136,888**	**5,136,888**	**–**	**–**
Funds and equities	**59,462**	**59,462**	**–**	**–**
Proprietary shares	**190,950**	**190,950**	**–**	**–**
Unquoted shares	**1,070,044**	**-**	**–**	**1,070,044**
	7,481,198	**6,411,154**	**–**	**1,070,044**
	₱8,049,438	**₱6,979,394**	**₱–**	**1,070,044**

As of December 31, 2015:

	Total	Fair value measurement using Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱481,185	₱481,185	₱–	₱–
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
	₱7,658,436	₱6,797,290	₱–	₱861,146

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 ₱344 15%:fair value of ₱347
		Tuition fee increase by 5%	0% to 5%	0%: fair value of ₱309 5% fair value of ₱389
		Cost of capital of 14%	12% to 16%	12%: fair value of ₱438 16%: fair value of ₱289
KSA	DCF Model	Dividend payout is 60 million	-5% to 10%	-5% fair value of ₱497 10% fair value of ₱556
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱524 30% fair value of ₱508
		Cost of capital of 11.5%	10% to 13%	10%: fair value of ₱571 13% fair value of ₱469

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 June 2016	**₱345**	**₱516**	**₱861**

For the periods ended June 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 June 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 P533.8 million offset by cash used in financing activity.

(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 P38.5 million. The market value of foreign denominated investment in bonds, stocks and funds increased by P21.3 million vs. December 31, 2015 values. Unrealized foreign exchange loss related to foreign denominated investments amounted to P0.5 million.

Receivables

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

Inventories

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

Property development in progress

The decrease in property development in progress pertains to cost related to villa sold in 2016 of about P145.0 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 P390.9 million. There was an increase in market value of AFS investments of about P267.7 million offset by net addition to AFS investments of P 115.6 million and unrealized foreign exchange loss of P8.6 million for six months of 2016.

Investments and Advances

The decrease in investments and advances was mainly due to unrealized foreign exchange loss related to foreign equity investment amounting to P4.5 million. Advances to associates amounted to P0.5 million for the first semester of 2016.

Goodwill

The goodwill from US-based staffing business decreased by P1.4 million due to foreign exchange loss from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P115.8 million while net additions to property and equipment amounted to P81.3 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 a villa that was completed and sold.

Income Tax Payable

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

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to P317.3 million loan paid by the Parent Company and PDP offset by unrealized foreign exchange gain of P5.3 million from the translation of the foreign denominated loan as of June 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 US$ vis-à-vis Philippine peso, CTA balance decreased by P10.2 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 P272.7 million from January 1 to June 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 June 30	
	2016	*2015*
Revenues (excluding investment gains or losses) (Note 1)	***406,762***	*1,971,488*
Investment Gains	***279,246***	*1,051,802*
Net Income	***549,579***	*2,817,430*
Earnings Per Share	***0.22***	*1.13*
Market Price Per Share (PSE)	***6.00***	*6.90*

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 P5.5 billion was almost in the same level with last year’s revenue. Service revenue, mainly of Cirrus Medical Staffing, was higher by P410.8 million or 32%, offset by lower investment gains of P771.6 million due to fewer sale of traded shares. Also, the Group recognized revenue from the sale of a villa amounting to P292.7 million in 2016 which offset the equity in net loss of associate of P211.0 million in 2015.

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.

Operating Expenses

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

Cost of villa sold

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

Foreign Exchange Gain

Due to the depreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its dollar denominated loan, partially offset by foreign exchange loss 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 June 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 the first half 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 cyclicality 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 six 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 June 30	
	2016	*2015*
Volume sold (MT)		
Domestic	**7,397**	6,954
Export	**338**	10
Total	**7,735**	6,964
Revenue	**3,162,424**	3,118,613
Gross Income	**756,222**	625,520
Net Income	**356,835**	293,321

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 20%.

PDP recorded a net income of P356.8 million for 6 months of 2016, higher by P63.5 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 47.4% for the first half of 2016, lower than the 2015 average occupancy rate of 54.4%. Average room rate was US$1,248, an improvement from last year's average room rate of US$1,052. Total hotel revenues amounted to P370.1 million, better by P10.3 million from last year's revenues of P369.6 million mainly due to the appreciation of the US$ vis a vis Philippine pesos. Gross operating profit (GOP) of P150.3 million increased by P14.4 million versus 2015's GOP.

In addition, the resort recognized gain from sale of a villa amounting to P146.3 million.

Seven Seas reported a consolidated net income of P185.9 million for the first semester of 2016.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a consolidated operating income of $3.3 million for year to date June 2016 versus $2.5 million in comparative period. The Staffing Division continues to see growth in its Travel Nursing and Travel Allied divisions, posting 51% and 56% year-over-year increases in revenues, respectively. The increase in placement and working headcount and focus on quality placements with higher bill rates and consistent work hours resulted to a strong gross margin of 25.8%. Nurse Together, LLC, the online business, contributed $109 thousand to the overall operating income of the group.

The Group continues to expand in geographic locations with favorable sales results while controlling gross margins, maximizing cost efficiency and aligning personnel size based on the requirements of the company.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	06/30/2016	06/30/2015
1. Book Value Per Share (Note 1)	**11.72**	11.74
2. Current Ratio (Note 2)	**2.81**	1.75
3. Interest Rate Coverage Ratio (Note 3)	**22.22**	27.06
4. Debt to Equity Ratio (Note 4)	**0.36**	0.41
5. Asset to Equity Ratio (Note 5)	**1.39**	1.43
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**16.0%**	25.0%
7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**6.1%**	9.4%

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

	06/30/2016	06/30/2015
1. Volume	**7,735**	6,964
2. Net Sales	**3,162,424**	3,118,612
3. Gross Income	**756,222**	625,520
4. Net income	**356,835**	293,321

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

	06/30/2016	06/30/2015
3. Service income	**1,212,913**	813,407
4. Cost of services rendered	**890,714**	639,381
5. Net Income	**116,519**	88,818

Seven Seas Group

In Thousand Pesos

	06/30/2016	06/30/2015
1. Occupancy rate	**47.4%**	54.4%
2. Hotel revenue	**370,100**	359,752
3. Gross operating profit (GOP)	**150,310**	135,904
4. GOP ratio	**40.6%**	37.8%
5. Net income *	**185,883**	81,936

* Inclusive of gain on sale of villa of P146.3 million.

Occupancy rate is based on actual room nights sold over available room nights on a 6-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.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

				P	W	2				

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

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

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.ph	819-0251	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	Third Wednesday of April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	nancievillaflor1029@gmail.com	819-0251	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/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. 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
Common	2,500,000,000

……
……

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

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November 14, 2016

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 [x] No [ ]

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

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

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

Please see SEC FORM 17-Q - Table of Contents

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

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

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer: A. SORIANO CORPORATION

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

Date: November 14, 2016

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: November 14, 2016

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PART I – FINANCIAL INFORMATION

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										
							Retained Earnings				
	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	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interest	Total
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 2016	December 31 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

	September 30 2016	December 31 2015
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 Appropriated	Retained Earnings Unappropriated	Total
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

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.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
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:

		Percentage of Ownership	
	Nature of Business	**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.

<u>Current Versus Noncurrent Classification</u>
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 these are 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:

		Percentage of Ownership	
	Nature of Business	**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.

<u>Business Combinations and Goodwill</u>

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.

<u>Borrowing Costs</u>

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.

<u>Pension Benefits</u>

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.

<u>Earnings Per Share</u>
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	**₱652,346**	**₱652,346**	₱481,185	₱481,185
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
	₱8,641,324	**₱8,641,324**	₱7,658,436	₱7,658,436

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 ₱352.5 million and ₱266.3 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		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Bonds	**₱652,346**	**₱652,346**	**₱–**	**₱–**
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**
	₱8,641,324	**₱7,543,690**	**₱–**	**1,097,634**

As of December 31, 2015:

	Total	Fair value measurement using Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱481,185	₱481,185	₱–	₱–
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
	₱7,658,436	₱6,797,290	₱–	₱861,146

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 ₱344 15%:fair value of ₱347
		Tuition fee increase by 5%	0% to 5%	0%: fair value of ₱309 5% fair value of ₱389
		Cost of capital of 14%	12% to 16%	12%: fair value of ₱438 16%: fair value of ₱289
KSA	DCF Model	Dividend payout is 60 million	-5% to 10%	-5% fair value of ₱497 10% fair value of ₱556
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱524 30% fair value of ₱508
		Cost of capital of 11.5%	10% to 13%	10%: fair value of ₱571 13% fair value of ₱469

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*
Revenues (excluding investment gains or losses) (Note 1)	***529,265***	*2,024,432*
Investment Gains	***531,317***	*965,943*
Net Income	***874,395***	*2,725,823*
Earnings Per Share	***0.35***	*1.09*
Market Price Per Share (PSE)	***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 cyclicality 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*
Volume sold (MT)		
Domestic	**11,435**	10,432
Export	**14**	10
Total	**11,449**	10,442
Revenue	**4,710,898**	4,638,094
Gross Income	**1,123,719**	922,588
Net Income	**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 has the following direct/indirect subsidiaries/associates as of December 31, 2016:

Company	**Ownership**	**Business**	**Jurisdiction**
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Investment Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Investment Holding Company	Philippines
Anscor International, Inc.	100%	Investment Holding Company	British Virgin Island
IQ Healthcare Investments Limited	100%	Manpower Services	British Virgin Island
Cirrus Medical Staffing, Inc.	94%	Manpower Services	USA
Cirrus Holdings USA, LLC	94%	Manpower Services	USA
Cirrus Allied, LLC (formerly MDI Medicals, LLC)	94%	Manpower Services	USA
NurseTogether, LLC	94%	Online Community	USA
AG&P International Holdings, Ltd.	27%	Modular Steel Engineering /Construction	British Virgin Island
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Investment Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Investment Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	Houston, Texas, United States

Company	Ownership	Business	Jurisdiction
AFC Agribusiness Corporation	81%	Real Estate Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Real Estate Holding	Philippines
Vicinetum Holdings, Inc.	32%	Investment Holding Company	Philippines
Prople Limited, Inc.	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
Behavior Matrix, LLC	21%	Behavior Analytics Services	USA
Other investments of the Group include:			
Enderun Colleges, Inc.	20%	Culinary School	Philippines
Direct WithHotels	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Anscor International, Inc.

Financial Statements

For the Years Ended December 31, 2016 and 2015

Prepared By:	Approved By:
SALOME BUHION	**NARCISA VILLAFOR**
Accounting Manager	VP-Comptroller

ANSCOR INTERNATIONAL, INC.
(A Subsidiary of A. Soriano Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Anscor International was incorporated on April 2, 2004 in the British Virgin Islands (BVI) under the International Business Company Act. Cap. 291, primarily to buy, sell, underwrite, invest in, exchange or otherwise acquire, and to hold, manage, develop, deal with turn to account any bonds, debentures, shares, stocks, options, commodities, futures, forward contracts, notes or securities of governments, states, municipalities, public authorities or public or private limited or unlimited companies in any part of the world and to lend money either unsecured or against the security of any of the aforementioned property.

The registered office of the Company is at IFS Chambers, Road Town, Tortola, British Virgin Islands.

The Company is not required to file audited financial statements in BVI.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The Company financial statements have been prepared on a historical cost basis, except for securities available-for-sale (AFS) investments that have been measured at fair value. The accompanying financial statements have been prepared using the historical cost basis and are presented in US$, which is the Company's functional and presentation currency, and rounded to the nearest dollar, except otherwise stated.

Statement of Compliance
The Company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Account Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

- 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. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They 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 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 other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact to the Group.

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

  These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*
  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 applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
  The amendments 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.

  These amendments do not have any impact on the Group’s 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 do not have a material impact on the consolidated financial statements. These include:

- Amendment to 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.

- Amendment to 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 for continuing involvement 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.

- Amendment to 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.

- Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
  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.

- Amendment to 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).

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2016
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant

impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is

permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*

  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.
  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Summary of Significant Accounting Policies

Investments in Subsidiaries and Associates

Investments in Subsidiaries

Subsidiaries are all entities over which the Company has control. Control is achieved when the Company 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 Company controls an investee if and only if the Company 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 Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights

The Company 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.

Investments in Associates
Associates are entities over which the Company 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 subsidiaries and associates are carried at cost, less impairment in value, in the financial statements. Dividends received are reflected as income in the statements of income.

The Company's subsidiaries and associates with the respective percentages of ownership as of December 31, 2016 and 2015 follow:

Name of Subsidiary	**Principal Activities**	**Country of Incorporation**	**% Equity Interest 2016**	**% Equity Interest 2015**
IQ Healthcare Investments Limited (IQHIL))	Healthcare Services	USA	**94**	94
Cirrus Medical Staffing, Inc. (Cirrus)	Healthcare Services	USA	**94**	94
Cirrus Holdings USA, LLC (Cirrus LLC)	Healthcare Services	USA	**94**	94
Cirrus Allied, LLC (formerly MDI Medicals, LLC; MDI)	Healthcare Services	USA	**94**	94
NurseTogether, LLC (NT)	Online Community Management	USA	**94**	94
AGP International Holdings, Ltd. (AGPI)	Holding	British Virgin Islands	**27**	27
Prople Limited (Prople)	Business Processing Outsourcing	Hongkong	**32**	-
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	USA	**21**	13

<u>Foreign Currency Translation</u>
Transactions in foreign currencies are initially recorded in Peso based on the exchange rate 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 company 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.

Fair Value Measurement
The Company 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 amortised cost and 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 to by the Company.

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 non-financial 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 Company 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 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 Company determines whether transfers have occurred between Levels in the hierarchy by reassessing 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 Company'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 Company'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 Company'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 Company 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.

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

<u>Financial Instruments</u>

Date of recognition

The Company recognizes a financial asset or a financial liability in the company 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 Company 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 December 31, 2016 and 2015, the Company 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 Company 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 company 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 contract as of December 31, 2016 and 2015.

The Company 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 Company balance sheets at fair value. Changes in fair value are recorded as “Gain (loss) on increase (decrease) in market values of FVPL investments” in the Company statements of income. 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 December 31, 2016 and 2015, the Company has no 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 December 31, 2016 and 2015.

b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted 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 Company statement of income. The losses arising from impairment of such loans and receivables are recognized as “Recoveries (valuation allowances) - net” in the Company statement of income.

Included under loans and receivables are cash and cash equivalents and receivables.

c) AFS investments

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

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS investments 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 Company statements of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as “Gain (loss) on sale of AFS investments”. Where the Company 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 debt security AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding equity security AFS investments are recognized as such in the company statements of income when the right of payment has been established.

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

d) Other financial liabilities

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

As of December 31, 2016 and 2015, included in other financial liabilities are the Company's accounts payable and accrued expenses.

As of December 31, 2016 and 2015, there were no financial instruments classified as HTM.

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

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 Company balance sheets where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company 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 Company 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 Company 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 Company's continuing involvement in the asset.

Financial liabilities

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

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

Impairment of Financial Assets
The Company 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 Company 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 Company 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 Company. 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 Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company 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 Company statements of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to “Recoveries (valuation allowances) - net” in the Company statement of income.

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 Company statement of income - is removed from equity and recognized in the Company statement of income. The losses arising from impairment of such investments are recognized as “Recoveries (valuation allowances) - net” in the company statement of income. Impairment losses on equity investments are not reversed through the company statement of income. Increases in fair value after impairment are recognized in the company 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 company 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 company statement of income, the impairment loss is reversed through the company 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 Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the company 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 Company statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

Offsetting Financial Instruments

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

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding the related taxes.

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

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

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

Other Comprehensive Income
Other comprehensive income comprises items of income and expense that are not recognized in Company profit or loss for the year in accordance with PFRS. Other comprehensive income of the Company pertains to gains and losses on remeasuring AFS investments 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.

Impairment of Non-financial Assets
At each reporting date, the Company assesses whether there is any indication that its non-financial assets (namely, property and equipment) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

Capital Stock

Capital stock represents the total par value of the shares issued.

Retained Earnings

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

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.

Provisions and Contingencies

Provisions are recognized when the Company 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 Company 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 company 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 company 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 company 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.

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 December 31, 2016 and 2015.

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company financial statements in accordance with PFRS requires the Company 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 Company 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 Company'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 company financial statements.

Determination of functional currency
The Company's functional currency was determined to be US Dollar ($). It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments
The Company 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 company balance sheets.

Financial assets not in an active market
The Company 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 quoted 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 key sources of estimation and uncertainty at the balance sheet date, that have 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 Company reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the Company 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 Company 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 Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Company's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. There is no allowance for doubtful accounts as of December 31, 2016 and 2015.

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 Company performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Unquoted equity investments amounted to $7.2 million and $11.3 million as of December 31, 2016 and 2015, respectively.

Impairment of AFS equity investments
The Company 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 Company considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).

AFS equity investments amounted to $7.2 million and $11.3 million as of December 31, 2016 and 2015, respectively.

Impairment of non-financial assets
The Company assesses impairment on its investment in subsidiaries and associates whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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 strategy for overall business; and
- significant negative industry or economic trends.

As of December 31, 2016 and 2015, the carrying value of investments in subsidiaries and associates amounted to P71.9 million and P63.4 million, respectively.

5. Available-for-Sale (AFS) Investments

	2016	2015
Convertible notes		
Prople Limted	**$ -**	$ 5,066,528
	-	5,066,528
Unquoted equity shares		
Pacific Synergies Venture Partners Limited	**2,087,142**	2,087,142
Alphion Corporation	**1,900,000**	1,900,000
Y-mAbs Therapeutics, Inc	**1,750,000**	-
DirectWithHotels	**854,086**	854,086
Navegar GP Ltd	**644,067**	543,945
BehaviorMatrix, LLC	**-**	5,500,250
Leopard Capital Cambodia Investments (BVI) Ltd.	**-**	444,597
	7,235,295	11,327,020
	$ 7,235,295	$16,393,548

Unquoted investments include the following:

a. In December 2015, IQHPC invested $1.0 million in Y-mAbs Therapeutics, Inc. (YmAbs), a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer.

   On November 10, 2016, IQHPC made additional investments to YmAbs amounting to $0.75 million. In November 2016, IQHPC transferred all its investment of 399,544 shares of common stock in YmAbs to the Company.

b. In 2012, the Company purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia. In 2016, the Company sold its investment in Leopard and recorded loss on the sale amounting to US$ 179,097.

c. In March 2009, the Company invested US$900,000 for 387,297 Series E Preference shares of Alphion, convertible into 645,485 shares of common stock. Alphion is a fiber optic network company based in New Jersey, with sales, marketing, procurement and R&D offices in India. Alphion develops, manufactures and markets high-speed fiber optic access and switching systems that enable “triple play” services, or voice, video, and data transmission in a single line.

   In October 2011, the Company made an additional investment in Alphion amounting to US$1,000,000 for 713,158 Series G Preference shares convertible into the same number of common stock and 140,817 series G warrants convertible into the same number of common stock.

6. Investments and Advances

	2016	2015
Investments in subsidiaries and associates		
Cirrus	**$ 14,906,187**	$ 18,392,648
AGP International Holdings Ltd.	**45,000,000**	45,000,000
Prople Limited	**5,278,934**	-
BehaviorMatrix, LLC	**6,751,518**	-
	$ 71,936,639	$ 63,392,648

The significant transactions involving the company's investments in subsidiaries and associates for 2016 and 2015 follow:

Cirrus

a. On January 19, 2008, the Company through its subsidiary, Cirrus, acquired 100% of the outstanding equity interest in Cirrus LLC and its affiliate, Cirrus Medical Staffing, LLC (CMS) for US$16.5 million. Both companies are engaged in the contract and temporary staffing and permanent placement of nurses and allied healthcare professionals in the USA. Subsequently, new shares were issued to another stockholder representing 6% of the total outstanding shares of Cirrus.

b. On July 18, 2008, Cirrus purchased 100% of Cirrus Allied, LLC to complement Cirrus LLC's nurse traveler operations. It provides physical, occupational and speech language therapists to medical facilities across the USA.

c. On December 10, 2010, Cirrus completed the acquisition of all of the outstanding membership units of NurseTogether, LLC (NT) to complement the operations of Cirrus LLC and CMS for US$0.9 million.

d. Cirrus Medical Staffing, Inc., Cirrus Holdings USA, LLC, Cirrus Allied, LLC and NT complement one another and are collectively called Cirrus.

e. In 2016, Cirrus redeemed 357 shares of the Series A preferred stock amounting $3.5 million. All of the preferred shares were redeemed from the Company.

f. Cash dividends received by the Company amounted to $4.4 million.

AGP International Holdings Ltd. (AGPI)

a. AGPI is a British Virgin Islands business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

   The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Islands.

b. In December 2011, the Company entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

c. On June 28, 2013, the Company converted the US$5.0 million Convertible Bridge Notes to 16.4 million series B, voting preferred shares. On June 29, 2013, the Company signed a definitive agreement with AGPI for the subscription to 83.9 million series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increases AI's holdings to 27% giving the Group significant influence over AGPI.

d. The total cost of the Company's investment in AGPI amounted to $45.0 million as of December 31, 2016 and 2015.

<u>BehaviorMatrix, LLC (BM)</u>

a. In October 2011, the Company entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

b. In July 2015 and March 2014, the Company made additional investment in Predictive amounting to $0.5 million and $1.0 million, respectively, for availment of PEMH's preemptive rights offering.

c. In March 2016, the Company invested an additional $0.437 million through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and the Company invested an additional $0.814 million for a 20.5% shareholding in BM. The increased ownership allows the company to exercise significant influence over BM.

<u>Prople Limited (Prople)</u>

a. In November 2013, the Company invested in US$4.0 million convertible notes to Prople Limited. In August 2015, the Company purchased Tranche C notes of Prople amounting to US$0.5 million. These notes are convertible at the option of the holder into common shares of Prople. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippines (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, the Company converted the notes to equity, giving the Company a 32% equity stake and significant influence over Prople.

7. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the ordinary course of business, the Company obtains cash advances from its shareholder, ANSCOR, to finance its working capital requirements and investments in various companies.

	Amount/Volume		Outstanding Balance			
	2016	2015	**2016**	2015	Terms	Condition
Anscor	**$ 3,788,811**	$ 5,162,910	**$ 69,877,553**	$ 72,917,260	Non-interest bearing	Unsecured

8. Financial Instruments and Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, investments in unquoted equity securities, investments in mutual and hedge funds. The Company's other financial instruments include accounts payable, 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, foreign currency risk and equity price risk. These risks are monitored by the Company.

The Company evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

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 Company is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Company is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Company does not have a counterparty that accounts for more than 10% of the company revenues.
Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Company transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Liquidity risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Company ensures investments have ample liquidity to finance operations and capital requirements.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due.

Market risk
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 Company. The Company is exposed primarily to the financial risks of changes in interest rates, foreign currency risk, and equity price risks.
Investments exposed to market risk are equity instruments, and mutual fund/hedge fund investments.

There has been no change to the Company's manner of managing and measuring the risk.

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

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

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

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Cirrus Medical Staffing, Inc.

Opinion

We have audited the consolidated financial statements of Cirrus Medical Staffing, Inc. (a subsidiary of IQ Healthcare Investment Ltd.) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

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May 1, 2015, valid until April 30, 2018
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February 27, 2015, valid until February 26, 2018
PTR No. 5908742, January 3, 2017, Makati City

February 22, 2017

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash	**$189,687**	$376,367
Trade and other receivables (Note 5)	**8,684,759**	8,290,179
Prepaid expenses and other current assets (Note 6)	**231,281**	336,569
Total Current Assets	**9,105,727**	9,003,115
Noncurrent Assets		
Property and equipment (Note 7)	**78,371**	100,791
Receivable from a related party (Note 15)	**–**	800,000
Goodwill (Note 8)	**13,937,537**	13,937,537
Other noncurrent assets (Note 9)	**31,914**	80,579
Total Noncurrent Assets	**14,047,822**	14,918,907
TOTAL ASSETS	**$23,153,549**	$23,922,022
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other liabilities (Note 11)	**$1,955,061**	$1,775,997
Notes payable (Notes 12 and 15)	**4,499,994**	–
Loans payable (Note 10)	**1,849,320**	556,690
Payable to related parties (Note 15)	**404,213**	72,442
Income tax payable	**171,985**	66,195
Total Current Liabilities	**8,880,573**	2,471,324
Noncurrent Liability		
Deferred tax liabilities - net (Note 16)	**2,854,571**	946,713
Total Liabilities	**11,735,144**	3,418,037
Equity (Note 12)		
Capital stock	**16**	20
Additional paid-in capital	**7,910,126**	19,404,953
Retained earnings	**3,714,263**	1,099,012
Treasury shares	**(206,000)**	–
Total Equity	**11,418,405**	20,503,985
TOTAL LIABILITIES AND EQUITY	**$23,153,549**	$23,922,022

See accompanying Notes to Consolidated Financial Statements.

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
SERVICE REVENUES	**$54,184,516**	$40,670,631
COST OF SERVICES (Note 13)	**40,079,686**	30,307,173
GROSS PROFIT	**14,104,830**	10,363,458
OPERATING EXPENSES (Note 14)	**8,079,175**	6,505,843
OTHER INCOME (CHARGES)		
Reversal of long outstanding liabilities	**172,771**	–
Interest income (Note 15)	**36,990**	–
Interest expense (Notes 10, 12 and 15)	**(10,398)**	(7,480)
Miscellaneous income (charges)	**(48,408)**	6,272
INCOME BEFORE INCOME TAX	**6,176,610**	3,856,407
PROVISION FOR INCOME TAX (Note 16)	**2,356,197**	1,470,021
TOTAL COMPREHENSIVE INCOME	**$3,820,413**	$2,386,386

See accompanying Notes to Consolidated Financial Statements.

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital Stock (Note 12)	**Additional Paid-in-Capital** (Note 12)	**Retained Earnings (Deficit)** (Note 12)	**Treasury Shares** (Note 12)	**Total**
BALANCES AS AT DECEMBER 31, 2014	**$20**	**$19,404,953**	**($1,287,374)**	**$–**	**$18,117,599**
Total comprehensive income	–	–	2,386,386	–	2,386,386
BALANCES AS AT DECEMBER 31, 2015	**20**	**19,404,953**	**1,099,012**	**–**	**20,503,985**
Dividends declared:					
Cash dividends	–	(3,508,374)	(1,205,162)	–	(4,713,536)
Script dividends	–	(4,499,994)	–	–	(4,499,994)
Retirement of preferred shares	(4)	(3,486,459)	–	–	(3,486,463)
Purchase of treasury shares	–	–	–	(206,000)	(206,000)
Total comprehensive income	–	–	3,820,413	–	3,820,413
BALANCES AS AT DECEMBER 31, 2016	**$16**	**$7,910,126**	**$3,714,263**	**($206,000)**	**$11,418,405**

See accompanying Notes to Consolidated Financial Statements.

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$6,176,610**	$3,856,407
Adjustments for:		
Depreciation and amortization (Notes 7 and 14)	**100,077**	114,329
Interest income (Note 15)	**(36,990)**	–
Interest expense (Notes 10 and 12)	**10,398**	7,480
Operating income before working capital changes	**6,250,095**	3,978,216
Decrease (increase) in:		
Trade and other receivables	**(394,580)**	(3,132,379)
Prepaid expenses and other current assets	**105,288**	(36,115)
Increase in:		
Trade payables and other liabilities	**173,146**	117,471
Payable to related parties	**331,771**	–
Net cash generated from operating activities	**6,465,720**	927,193
Income taxes paid	**(342,549)**	–
Net cash from operating activities	**6,123,171**	927,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 7)	**(17,754)**	(38,281)
Software and capitalized website cost (Note 9)	**(11,238)**	–
Cash used in investing activities	**(28,992)**	(38,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid, including return of capital (Note 12)	**(4,713,536)**	–
Retirement of preferred shares (Note 12)	**(3,486,463)**	–
Availment of loans (Note 10)	**1,849,320**	556,690
Decrease (increase) in advances to a related party	**800,000**	(800,000)
Payment of loans (Note 10)	**(556,690)**	(658,807)
Purchase of treasury shares (Note 12)	**(206,000)**	–
Interest income received (Note 15)	**36,990**	–
Interest expense paid (Note 10)	**(4,480)**	(7,480)
Net cash used in financing activities	**(6,280,859)**	(909,597)
NET DECREASE IN CASH	**(186,680)**	(20,685)
CASH AT BEGINNING OF YEAR	**376,367**	397,052
CASH AT END OF YEAR	**$189,687**	$376,367

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Consolidated Financial Statements

Corporate Information

Cirrus Medical Staffing, Inc., formerly Medtivia, Inc. (Medtivia), was incorporated on July 7, 2007 in the State of Delaware and is a 93.6%-owned subsidiary of A. Soriano Corporation (ANSCOR), a Philippine holding company, thru IQ Healthcare Investment Ltd. (IQHIL). Medtivia was established to become the primary acquisition vehicle and holding company of ANSCOR investments in the United States of America (USA).

On January 19, 2008, ANSCOR, through Medtivia, entered into a Purchase Agreement for the acquisition of all the outstanding equity interests in Cirrus Holdings USA, LLC and its affiliate, Cirrus Medical Staffing, LLC. IQHIL provided the funding for the acquisition through a promissory note issued by Medtivia. Subsequent to the acquisition, Medtivia was renamed to Cirrus Medical Staffing, Inc. in March 2008.

Cirrus Holdings USA, LLC is engaged in the contract of temporary staffing and permanent placement of nurses and other allied healthcare professionals in the USA. Cirrus Holdings USA, LLC recruits nurses and other allied healthcare professionals and places them on assignments of variable lengths and in permanent positions at acute-care hospitals and other healthcare facilities throughout the USA. Cirrus Holding USA, LLC's staffing services are marketed to two distinct groups: (1) healthcare professionals and (2) hospitals and healthcare facilities.

On July 18, 2008, ANSCOR, through Cirrus Medical Staffing, Inc. entered into a Purchase Agreement for the acquisition of all the outstanding membership units in Cirrus Allied, LLC (formerly MDI Medical, LLC), which is a Georgia limited-liability company providing temporary staffing services of allied healthcare professional in the USA. Cirrus Allied, LLC specializes in the placement of travel therapists and therapist assistants, focusing in Physical Therapy, Occupational Therapy and Speech Language Pathology. Cirrus Allied, LLC recruits therapists and assistants and places them on contracts at variable lengths with hospitals, skilled nursing facilities, home health and clinics throughout the USA.

On December 10, 2010, Cirrus Medical Staffing, Inc. entered into a Purchase Agreement for the acquisition of all the outstanding membership units in NurseTogether, LLC, which is a Florida limited-liability company engaged in the ownership and management of healthcare professional online communities.

Cirrus Medical Staffing, Inc., Cirrus Holdings USA, LLC, Cirrus Allied, LLC and NurseTogether, LLC complement one another and are collectively called Cirrus. They are presented as the consolidated financial statements of Cirrus Medical Staffing, Inc. and its subsidiaries (collectively referred to as the "Group").

The registered office address of Cirrus Medical Staffing, Inc. is at 309 E. Morehead Street, Suite 200 Charlotte, NC 28202.

Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 were authorized for issue by the Group's Board of Directors (BOD) on February 22, 2017.

2. **Basis of Preparation and Changes in Accounting Policies and Disclosures**

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in United States Dollars (USD), which is the Group's functional currency. Amounts are presented to the nearest dollar 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, Philippine Accounting Standards (PAS) and Improvements to PFRS which were adopted as at January 1, 2016.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception* (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. They also clarify that only a subsidiary of and investment entity that is not an investment entity itself and that provides support services to the 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable since the Group is not an investment entity and does not have an investment in associates or joint ventures.

- PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3, *Business Combinations - Accounting for Contignent Consideration in a Business Combination,* 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. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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. Since the Group is an existing PFRS preparer, this standard does not apply.

- PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
  Intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS (Amendments). They clarify the following:

  a) 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
  b) That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  c) That entities have flexibility as to the order in which they present the notes to financial statements
  d) That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- 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 and equipment and may only be used in very limited circumstances to amortize software and capitalized website cost.

  These amendments are applied prospectively and do not have any impact since the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- PAS 16 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 applied retrospectively. These do not have any impact since the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements* (Amendments)
  The amendments 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. These amendments do not have any impact on the Group's 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 do not have an impact on the Group's consolidated financial statements. They 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* (Amendments)
  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 for continuing involvement 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*
  The 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, Discount Rate - regional market issue*
  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 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).

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2016
The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to consolidated financial statements when these become effective.

Effective beginning on or after January in 2017

- PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle) (Amendments)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Company that is classified) as held for sale.

- PAS 7, *Statement of Cash Flows, Disclosure Initiative* (Amendments)
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements.

- PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments)
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions* (Amendments)
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4* (Amendments)
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility

that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 9, *Financial Instruments*
  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's consolidated financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's consolidated financial liabilities. The Group is currently assessing the impact of adopting this standard.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle) (Amendments)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that isnot itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- PAS 40, *Investment Property, Transfers of Investment Property* (Amendments)
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint

venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. **Summary of Significant Accounting Policies**

Basis of Consolidation
The consolidated financial statements comprise the financial statements of Cirrus Medical Staffing, Inc. and its wholly-owned subsidiaries, Cirrus Holdings USA, LLC, Cirrus Allied, LLC and NurseTogether, LLC.

Subsidiaries are consolidated from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full.

		Country of	**% equity interest**	
Name of Subsidiary	**Principal activities**	**Incorporation**	**2016**	**2015**
Cirrus Holdings USA, LLC	Manpower services	USA	100	100
Cirrus Allied, LLC	Manpower services	USA	100	100
NurseTogether, LLC	Online community management	USA	100	100

The significant accounting and financial reporting policies adopted in preparing the Group's consolidated financial statements are summarized below. The accounting policies has been consistently applied to all the years presented, unless otherwise stated.

Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either 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 operating expenses.

When the Group acquires a business, it assesses the financial assets and financial 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, any previously held equity interest is re-measured at its fair value and any resulting gain or loss is recognized in 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 either profit or loss or as a change in 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 is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest and any previous interest held over the net identifiable assets acquired and liabilities assumed. 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 reassessment 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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Fair Value Measurement

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 non-financial 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 consolidated 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.

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.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of 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 profit or loss, unless it was used, the difference between the transaction price and model value is only recognized in profit or loss 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 amount.

Financial Instruments
Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group 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 using trade date accounting. Derivatives are also recognized on a trade date basis.

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

Financial assets and financial liabilities at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

As at December 31, 2016 and 2015, the Group has no financial assets and financial liabilities designated at FVPL.

HTM investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in profit or loss. The losses arising from impairment are recognized in profit or loss as finance costs.

As at December 31, 2016 and 2015, the Group has no HTM investments.

AFS financial assets
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

As at December 31, 2016 and 2015 the Group has no AFS financial assets.

Loans and receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in profit or loss. The losses arising from impairment are recognized in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

As at December 31, 2016 and 2015, the Group’s loans and receivables include cash, trade and other receivables, receivable from a related party and deposits.

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated at FVPL upon the inception of the liability. These includes liabilities arising from operations or borrowings.

The liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Other financial liabilities are classified as current liabilities if maturity is within the normal operating cycle of the Group and it does not have unconditional right to defer settlement of the liability for at least 12 months from the end of reporting period. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2016 and 2015, the Group's other financial liabilities include trade payables and other liabilities, notes payable, loans payable and payable to related parties.

Derecognition of Financial Assets and 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 primarily derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized 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 exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an 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 them for impairment. 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 of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Prepaid Expenses
Prepaid expenses 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

Property and equipment are stated at cost less accumulated depreciation and amortization and impairment in value, if any. The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditure for additions, major improvements and renewals are capitalized, expenditure for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which generally range from two to seven years.

Leasehold improvements are amortized over the term of the lease or the estimated useful life of five years, whichever is shorter.

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that it is classified as held for sale) and the date the asset is derecognized.

The estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each end of reporting period to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Software and Capitalized Website Cost

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and install the specific software. Software licenses and capitalized website costs are included in "Other noncurrent assets" account in the consolidated statement of financial position. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years.

Impairment of Nonfinancial Assets

The Group's property and equipment and software are subject to impairment testing. The individual asset's cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of its present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, where the time value of money is material, long-term provisions are discounted to their present value using a pre-tax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at each end of reporting period and adjusted to reflect its current best estimate.

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 in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding.

Additional paid-in capital

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Retained earnings

Retained earnings, the appropriated portion of which is not available for dividend distribution, represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Treasury shares

Treasury shares are measured at cost and are deducted from equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instrument.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group has assessed its revenue arrangements against specific criteria in order to determine if it is acting as the principal or agent and concluded that it is acting as the principal in all arrangements. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from services consists primarily of temporary staffing revenue. Revenue is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Group 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 Group to provide a replacement at no additional cost.

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

Cost and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Finance costs are reported on an accrual basis.

OCI

OCI comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS.

Leases

Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating leases are recognized as expense in profit or loss on a straight-line basis over the term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Income Taxes

The Group accounts for income taxes under PAS 12, *Income Taxes,* equivalent of Financial Accounting Standard Board (FASB) statement no. 109, *Accounting for Income Taxes,* except for the recognition of deferred income tax assets. Under FASB statement no. 109, deferred income tax assets are recognized in full and a valuation allowance is recognized to reduce the deferred income tax assets to an amount that is “more likely than not” to be realized.

Deferred income tax assets and deferred income tax liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and the carryforward benefits of unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits 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 expected to apply 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.

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect certain reported amounts and disclosures. In preparing the Group's consolidated financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality. The judgment and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The Group believes that the following represent a summary of the significant judgments and estimates and the related impact and associated risks in its consolidated financial statements.

Judgments

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

Classification of financial instruments

The Group classifies a financial instrument, or its components, on initial recognition in accordance with the substance of the contractual arrangement and the definitions of a financial asset or financial liability. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at the end of each reporting period.

As at December 31, 2016 and 2015, the Group's financial instruments pertain only to loans and receivables and other financial liabilities.

Classification of leases

The Group has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Group has determined that the risks and rewards of ownership are with the lessor, and thus, accounted for these leases as operating leases.

Rent expense included as part of "Operating expenses" in the consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015 amounted to $226,337 and $226,369, respectively (see Notes 14 and 17).

Estimates and Assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 of trade and other receivables

Allowance is made for specific and groups of accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Trade and other receivables amounted to $8,684,759 and $8,290,179 as at December 31, 2016 and 2015, net of allowance for impairment of $327,587 and $550,688, respectively (see Note 5).

Impairment of property and equipment and software
Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed on nonfinancial assets when certain impairment indicators are present. The Group's policy on estimating the impairment of nonfinancial assets is discussed in detail in Note 3. Management believes that the cost reflected in the consolidated financial statements is appropriate and reasonable.

As at December 31, 2016 and 2015, no impairment loss on property and equipment and software is recognized.

Property and equipment, net of accumulated depreciation and amortization, amounted to $78,371 and $100,791 as at December 31, 2016 and 2015, respectively (see Note 7). Software and capitalized website cost, net of accumulated amortization, amounted to $3,251 and $51,916 as at December 31, 2016 and 2015, respectively (see Note 9).

Estimation of useful lives of property and equipment and software
The Group estimates the useful lives of property and equipment and software based on the period over which the 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, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and software would increase recorded operating expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to $78,371 and $100,791 as at December 31, 2016 and 2015, respectively (see Note 7). Software and capitalized website cost, net of accumulated amortization, amounted to $3,251 and $51,916 as at December 31, 2016 and 2015, respectively (see Note 9).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each end of reporting date and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group recognized gross deferred income tax assets amounting to $205,843 and $1,784,313 as at December 31, 2016 and 2015, respectively (see Note 16).

Impairment of goodwill
During the fourth quarter of 2016 and 2015, the Group performed its annual impairment testing and determined that there is no impairment of goodwill as at December 31, 2016 and 2015. The impairment test requires the Group to determine the fair value of the reporting unit and compare it to the reporting unit's carrying amount. The Group estimates the fair value of its reporting units using a discounted cash flow methodology.

Goodwill amounted to $13,937,537 as at December 31, 2016 and 2015 (see Note 8).

5. Trade and Other Receivables

This account consists of:

	2016	2015
Trade receivables	**$8,978,178**	$8,816,217
Advances to employees	**21,343**	19,860
Others	**12,825**	4,790
	9,012,346	8,840,867
Allowance for impairment	**(327,587)**	(550,688)
	$8,684,759	$8,290,179

Trade receivables mainly pertain to receivables from customers and facilities arising from staffing of nurses and therapists. These receivables are noninterest bearing and generally have 60-day term.

Movements in the allowance for impairment for the years ended December 31 are as follow:

	2016	2015
Balance at beginning of year	**$550,688**	$283,568
Provision for doubtful accounts (Note 14)	**175,500**	274,220
Write-off	**(398,601)**	(7,100)
Balance at end of year	**$327,587**	$550,688

All of the Group's trade receivables have been reviewed for indicators of impairment. Those that were identified as impaired were fully provided with allowance for impairment.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2016	2015
Prepaid insurance	**$121,127**	$234,395
Prepaid rent	**19,687**	33,299
Deposits	**6,408**	6,550
Prepaid advertising	**11,589**	6,179
Prepaid professional fees	**–**	2,140
Others	**72,470**	54,006
	$231,281	$336,569

Others pertain to advance payment for advertisements, utilities, maintenance and association fees.

7. Property and Equipment

	2016			
	Computer and Office Equipment	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Cost				
Beginning balances	**$278,418**	**$33,310**	**$43,950**	**$355,678**
Additions	**17,754**	**–**	**–**	**17,754**
Ending balances	**296,172**	**33,310**	**43,950**	**373,432**
Accumulated Depreciation and Amortization				
Beginning balances	**205,465**	**21,106**	**28,316**	**254,887**
Depreciation and amortization (Note 14)	**30,857**	**3,708**	**5,609**	**40,174**
Ending balances	**236,322**	**24,814**	**33,925**	**295,061**
Net Book Values	**$59,850**	**$8,496**	**$10,025**	**$78,371**

	2015			
	Computer and Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Beginning balances	$250,377	$32,469	$34,551	$317,397
Additions	28,041	841	9,399	38,281
Ending balances	278,418	33,310	43,950	355,678
Accumulated Depreciation and Amortization				
Beginning balances	180,985	17,657	23,484	222,126
Depreciation and amortization (Note 14)	24,480	3,449	4,832	32,761
Ending balances	205,465	21,106	28,316	254,887
Net Book Values	$72,953	$12,204	$15,634	$100,791

The cost of fully depreciated property and equipment that are still being used in operations amounted to $172,094 and $87,417 as at December 31, 2016 and 2015, respectively. No property and equipment are pledged nor treated as security of the outstanding liabilities as at December 31, 2016 and 2015.

8. Goodwill

As at December 31, 2016 and 2015, the Group had goodwill totaling $13,937,537 from acquisitions discussed below:

Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC
On January 19, 2008, Cirrus Medical Staffing, Inc. completed the acquisition of all of the outstanding membership units of Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC for approximately $13.5 million cash paid at closing, including $2.5 million which was held in escrow to cover any post-closing liabilities. The purchase price was subject to a working capital adjustment of approximately $255,000 that was settled in May 2008. The Group financed this acquisition using proceeds from a loan from ANSCOR thru IQHIL.

The acquisition has been accounted for using the purchase method. The results of Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC operations have been included in the consolidated profit or loss since the date of acquisition.

The purchase price was allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition, utilizing unaudited financial statements and an independent third party appraisal.

The fair values of the identifiable assets and liabilities of Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC as at the date of acquisition:

	Fair value recognized on acquisition
Assets	
Cash	$83,320
Accounts receivable	2,567,803
Other current assets	113,715
Property and equipment	63,170
	2,828,008
Liability	
Accounts payable and accrued expenses	(424,606)
Total identifiable net assets at fair value	2,403,402
Goodwill arising on acquisition	11,921,172
Purchase consideration transferred	$14,324,574

The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes. Additional direct acquisition costs of approximately $555,500 were incurred in 2008 and were included in the Goodwill.

In 2009, as covered by the escrow agreement, the Group collected accounts receivable owed to the previous seller representing refunds to old debtors amounting to $36,936. The remittances resulted to the same amount of decrease in Goodwill as at December 31, 2009.

Cirrus Allied, LLC

On July 18, 2008, Cirrus Medical Staffing, Inc. completed the acquisition of all of the outstanding membership units of Cirrus Allied, LLC for approximately $2.0 million cash paid at closing, including $200,000 which was held in escrow to cover any post-closing liabilities. The purchase price was subject to a working capital adjustment of approximately $4,300 that was settled with a payment to the Group in the fourth quarter of 2008. The Group financed this acquisition using proceeds from a loan from ANSCOR, thru IQHIL.

The acquisition has been accounted for using the purchase method. The results of Cirrus Allied, LLC operations have been included in the consolidated profit or loss since the date of acquisition, in accordance with PAS 27.

The purchase price was allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition, utilizing unaudited financial statements and an independent third party appraisal.

The following table summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognized on acquisition
Asset	
Cash	$8,942
Trade and other receivables	1,124,261
Other current assets	44,982
	1,178,185
Liabilities	
Accounts payable and accrued expenses	(148,944)
Total identifiable net assets at fair value	1,029,241
Goodwill arising on acquisition	1,170,115
Purchase consideration transferred	$2,199,356

The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes. Additional direct acquisition costs of approximately $194,900 were incurred during the year ended December 31, 2008 and are included as “Goodwill” in the consolidated statements of financial position.

The operations of Cirrus Allied, LLC was effectively transferred to Cirrus Holdings USA, LLC in 2012.

NurseTogether, LLC
On December 10, 2010, the Cirrus Medical Staffing, Inc. completed the acquisition of all of the outstanding membership units of NurseTogether, LLC (NT) for a maximum total consideration of $1,060,000. Of the amount, $550,000 was paid to the owners and the remaining $510,000 is to be paid out by the Group subject to revenue and earnings target within the earn-out period of two years from December 31, 2010. As part of the purchase price allocation for its acquisition of NT, the Group identified an element of contingent consideration amounting to $510,000. Earn-out payments to the members shall be made through wire transfer to an account designated by the members within 45 days from the date NT meets the applicable revenue and earnings conditions.

The fair value of the contingent consideration at the acquisition date using the discount rate of 5% amounted to $332,868. In May 2011, the Group and the former members of NT agreed to amend the earn-out provisions resulting to a decrease in contingent liability amounting to $132,868. The gain arising from reversal of contingent liability was taken up in profit or loss. In 2011, the fair value of accounts receivable was determined to be lower by $2,659. This increased Goodwill by the same amount as at December 31, 2011.

The purchase price was allocated to assets acquired and liabilities assumed based on fair values as of the date of acquisition. The table on the next page summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Fair value recognized on acquisition
Asset	
Cash	$4,348
Trade and other receivables	6,132
Other current assets	576
	11,056
Liabilities	
Accounts payable	(3,715)
Deferred revenue	(5,000)
	(8,715)
Total identifiable net assets at fair value	2,341
Goodwill arising on acquisition	880,527
Purchase consideration transferred	$882,868

The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes.

Impairment analysis
The recoverable amount of the goodwill was estimated based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a ten-year period. The pre-tax discount rate applied to cash flow projections is 12.20% in 2016 and 2015. The cash flows beyond the ten-year period are extrapolated using a growth rate that is consistent with the expected average growth rate for the industry.

Goodwill is attributed to the Group, the consolidated entity, which is considered as one cash generating unit. The Group operates in the same line of business and is controlled and managed by the same set of management team and supported by one back office group. The Group also cross-sells between clients and presents all of services as a whole offering. The recoverable amount of the investment cost is assessed at the consolidated level.

The key assumptions used in the value-in-use calculations in 2016 and 2015 follow:

Cash flow projection
Cash flow projections are based on the Group's contracts, which are long term in nature that renew in perpetuity.

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 12.20% in 2016 and 2015, respectively.

Terminal value
Management has used the most recent healthcare staffing transaction price earnings multiple in determining the terminal value.

Growth rate
The Group assumed a growth rate of 9% in 2016 and 10% to 15% in 2015. Growth rate assumptions for the ten-year cash flow projections are supported by the different initiatives of the Group which started in 2010.

Sensitivity to changes in assumption
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

9. Other Noncurrent Assets

Other noncurrent assets consist of the following:

	2016	2015
Deposits	**$28,663**	$28,663
Software and capitalized website cost	**3,251**	51,916
	$31,914	$80,579

Reconciliation of the carrying amounts at the beginning and end of 2016 and 2015 of software and capitalized website cost is shown below:

	2016	2015
Cost:		
Beginning balances	**$910,938**	$910,938
Additions	**11,238**	–
Ending balances	**922,176**	910,938
Accumulated amortization and impairment loss:		
Beginning balances	**859,022**	777,454
Amortization (Note 14)	**59,903**	81,568
Ending balances	**918,925**	859,022
Net book value	**$3,251**	$51,916

10. Loans Payable

The Group has a line-of-credit as at December 31, 2016 and 2015 with Branch Banking and Trust Group (BB&T), with interest payable monthly at Libor plus 2.5%. Loans payable outstanding as at December 31, 2016 and 2015 amounted to $1,849,320 and $556,690, respectively. Interest expense amounted to $4,480 in 2016 and $7,480 in 2015.

The loan provides for certain affirmative, negative and financial covenants, such as maintenance of a minimum tangible net worth of not less than $1,800,000 and $3,225,000 as at December 31, 2016 and 2015, respectively. Also, the Group should maintain certain financial ratios such as (1) debt-to-worth of not greater than 5.25:1, and (2) debt service coverage ratio at a minimum of 1.2 times. As at December 31, 2016, the Group is in compliance with the debt covenants.

There is $3,150,680 and $1,943,310 available on this line-of-credit as at December 31, 2016 and 2015, respectively.

11. **Trade Payables and Other Liabilities**

	2016	2015
Accrued expenses	**$760,183**	$584,169
Wages payable	**578,830**	522,932
Client escrow	**346,495**	453,951
Trade payable	**124,108**	127,549
Sales tax payable	**105,525**	51,932
Interest payable (Note 15)	**5,918**	–
Advances from customers	**–**	–
Others	**34,002**	35,464
	$1,955,061	$1,775,997

12. **Equity**

The Group's capital stock and additional paid in capital as at December 31 are as follows:

	2016	2015
Preferred stock	**$–**	$4
Common stock	**16**	16
Capital stock	**16**	20
Additional paid-in capital	**7,910,126**	19,404,953
Less: Treasury shares - 28 common stock shares	**(206,000)**	–
	$7,704,142	$19,404,973

Authorized shares - $0.01 par value

	Preferred Stock		Common Stock	
	Shares	Par Value	Shares	Par Value
Balances as at December 31, 2014 and 2015	**357**	**$4**	**3,000**	**$30**
Decrease in authorized capital stock due to redemption	(357)	(4)	–	–
Balances as at December 31, 2016	**–**	**$–**	**3,000**	**$30**

Issued and fully paid shares

	Preferred Stock		Common Stock	
	Shares	Par Value	Shares	Par Value
Balances as at December 31, 2014 and 2015	**357**	**$4**	**1,579**	**$16**
Redemption of preferred shares	(357)	(4)	–	–
Balances as at December 31, 2016	**–**	**$–**	**1,579**	**$16**

Outstanding shares

	Preferred Stock		Common Stock	
	Shares	Par Value	Shares	Par Value
Balances as at December 31, 2014 and 2015	**357**	**$4**	**1,579**	**$16**
Redemption of preferred shares	(357)	(4)	–	–
Treasury shares	–	–	(28)	–
Balances as at December 31, 2016	**–**	**$–**	**1,551**	**$16**

Amendments to the Certificate of Incorporation

The BOD and stockholders of the Group adopted an amended and restated Certificate of Incorporation in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware. These include the following:

a. On December 6, 2012, the BOD and stockholders of the Group resolved to increase authorized number of common stocks from 2,500 shares to 3,000 shares and restricted the number of authorized preferred stocks from 100,000 shares to 357 shares.

b. On December 2, 2016, the BOD and stockholders of the Group resolved to delete the section on redemption of preferred stocks in its entirety. In addition, a provision was included to mention, that in any event that the preferred stock shall be converted, redeemed or repurchased or otherwise acquired by the Group, the shares so converted, redeemed, repurchased or otherwise acquired, shall be cancelled and shall not be issuable by the Group, and the Certificate of Incorporation of the Group shall be appropriately amended to effect the corresponding reduction in the Group's authorized capital stock.

Preferred Stock

a. On December 6, 2012, the Group issued 357 shares of preferred stock to IQHIL in settlement of the $3,490,000 promissory notes to ANSCOR. The difference between the book value of the promissory notes and the par value of the issued shares as well as the forfeited accrued interest were included in "Additional paid-in capital" account.

b. On December 2, 2016, the Group repurchased its previously issued preferred stock to IQHIL for an aggregate purchase price of $3,486,463 gross of 30% withholding tax. It was further resolved that the shares are automatically cancelled and retired upon repucharse and may not be reissued thereafter. Hence, issued and outstanding shares of $4 and related additional paid-in capital amounting to $3,486,459 were retired in the books.

Common Stock

On April 20, 2016, the BOD and stockholders of the Group authorized the re-acquisition of its own 28 common stocks for a total purchase price amounting to $206,000.

Retained Earnings and Additional Paid-in Capital

On December 6, 2016, the BOD of the Group approved the declaration of cash dividends amounting to $4,713,536 ($3,039 per share) for stockholders of record as at December 6, 2016. The dividends were paid on December 15, 2016.

On the same date, the BOD of the Group declared dividends and simultaneously issued unsecured interest-bearing promissory notes amouting to $4,499,994 ($2,901 per share) for stockholders of records as at December 6, 2016. As of and for the year ended December 31, 2016, interest expense and accrued interest from the said notes amounted to $5,918 (see Note 15).

The dividends declared were deducted from the following:

	Retained Earnings	Additional-Paid in Capital
Cash dividends	$1,205,162	$3,508,374
Scrip dividends	–	4,499,994
	$1,205,162	$8,008,368

The retained earnings account is restricted for dividend declaration to the extent of the cost of treasury shares.

13. **Cost of Services**

	2016	2015
Salaries, wages and employee benefits	**$32,894,480**	$24,568,354
Insurance	**2,512,199**	1,913,238
Association dues and other costs	**2,247,971**	1,437,872
Transportation and travel	**1,021,743**	743,847
Subcontracting costs	**740,609**	923,126
Housing costs	**634,799**	686,162
Website content design and maintenance	**27,885**	34,574
	$40,079,686	$30,307,173

14. **Operating Expenses**

	2016	2015
Salaries, wages and employee benefits	**$2,765,638**	$2,453,029
Commissions	**2,064,324**	1,367,121
Professional fees	**1,388,694**	1,041,496
Insurance	**332,895**	241,263
International processing cost (Note 15)	**303,771**	161,697
Advertising	**264,934**	252,360
Rent (Note 17)	**226,337**	226,369
Provision for doubtful accounts (Note 5)	**175,500**	274,220
Taxes and licenses	**132,409**	81,303
Depreciation and amortization (Notes 7 and 9)	**100,077**	114,329
Communications	**97,816**	91,703
Transportation and travel	**60,888**	64,620
Office supplies	**25,450**	16,288
Representation and entertainment	**24,875**	25,424
Shipping and delivery expenses	**23,826**	22,942
Others	**91,741**	71,679
	$8,079,175	$6,505,843

15. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

a. In December 2008, in the ordinary course of business, Cirrus Holdings USA, LLC entered into a service agreement with an affiliate, IQ Healthcare Professional Connection LLC (IQHPC). IQHPC is a subsidiary of Cirrus Global, Inc. (CGI), a 93.15% owned subsidiary of ANSCOR. Under the service agreement between IQHPC and Cirrus Holdings USA, LLC, IQHPC shall provide services for the deployment to the USA of selected international nurses and physical therapists.

The outstanding payables are included as “Payable to related parties” in the statement of financial position.

b. On December 21, 2015 and March 14, 2016, the Group issued three-year promissory notes to IQHPC amounting to $800,000 and $750,000, respectively. Both promissory notes bear an interest rate of 3% compounded annually. IQHPC is entitled to prepay the outstanding principal balance, in whole or in part, plus accrued interest thereon at the time of such payment without premium or penalty.

   On November 11, 2016, IQHPC settled both promissory notes and paid in full the principal amount including interest income amounting to $36,990.

c. In the ordinary course of business, the Group pays professional fees for agreed services rendered to the Group by IQHPC and CGI, affiliated companies.

d. On December 6, 2016, the Group declared cash dividends amounting to $4,713,536 and issued unsecured interest-bearing promissory notes amounting to $4,499,994 for stockholders of records as at December 6, 2016 (see Note 12).

   As of and for the year ended December 31, 2016, interest expense and accrued interest from the said notes amounted to $5,918.

e. Salaries and short-term benefits given by the Group to key management personell amounted to $353,048 and $283,713 in 2016 and 2015, respectively.

   The Group did not grant any share-based compensation benefits to its key management.

Transaction details of related party transactions as at and for the years ended December 31, 2016 and 2015 follow:

	Amount/Volume		Outstanding Balance Receivable (Payable)			
Category	**2016**	2015	**2016**	2015	Terms	Conditions
Parent						
IQHIL						
Notes payable	**($4,209,859)**	$–	**($4,209,859)**	$–	3% interest per annum; one year term	Unsecured
Interest payable	**(5,536)**	–	**(5,536)**	–	–	–
Affiliate						
IQHPC/CGI						
Advances	**750,000**	800,000	**–**	800,000	3% interest per annum; three year term	Unsecured; without impairment
Interest income	**36,990**	–	**–**	–	–	–
Professional fees	**795,000**	548,256	**(404,213)**	(72,422)	Non-interest-bearing; due and demandable	Unsecured
International processing cost	**225,346**	70,000	**–**	–	–	–

(Forward)

Category	Amount/Volume 2016	2015	Outstanding Balance Receivable (Payable) 2016	2015	Terms	Conditions
Individual						
Notes payable	**($290,135)**	$–	**($290,135)**	$–	3% interest per annum; one year term	Unsecured
Interest payable	**(382)**	–	**(382)**	–	–	–

16. **Income Taxes**

Provision for income tax for the years ended December 31 consists of the following current and deferred income taxes from:

	2016	2015
Current:		
Federal	**$366,335**	$–
State	**82,004**	–
Alternative minimum tax (AMT)	**–**	$66,195
Deferred:		
Federal	**1,736,755**	1,216,179
State	**171,103**	187,647
	$2,356,197	$1,470,021

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for income tax purposes. The income tax effects of the temporary differences, representing deferred income tax assets and liabilities, result principally from the following as at December 31:

	2016	2015
Deferred tax assets:		
Bad debts	**$123,610**	$204,321
Accruals	**82,233**	72,732
Net operating losses	**–**	1,441,065
AMT	**–**	66,195
	205,843	1,784,313
Deferred tax liability on goodwill amortization	**(3,060,414)**	(2,731,026)
	($2,854,571)	($946,713)

As at December 31, 2016, the Group has generated net operating loss carryforward for federal and state income tax purposes of approximately $3.8 million which will begin to expire in the year 2030. This was applied against taxable income in 2016.

In 2015, the Group has generated AMT credit amounting to $0.07 million which was utilized in 2016.

Since no materially significant uncertain tax positions exist, the Group recorded no unrecognized tax benefits at December 31, 2016. The Group is currently not under audit in any federal or state jurisdictions for the current open years of 2014, 2015 and 2016.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of sufficient future taxable profits during the periods in which those temporary differences become deductible. Based upon current taxable income and projections of future taxable profits over the periods in which the deferred income tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences based on facts and circumstances known as at December 31, 2016 and 2015.

Actual income tax provision differs from income tax expense calculated by applying the USA federal statutory corporate rate of 34% to income before provisions for income taxes as follows:

	2016	2015
Tax provision at federal statutory rate	**$2,100,047**	$1,311,178
State taxes, net of federal benefit	**224,043**	154,521
Other items - net	**32,107**	4,322
	$2,356,197	$1,470,021

17. Lease Commitments

The Group has entered into third party non-cancellable operating lease agreements for the rental of office spaces and equipment. The leases have terms ranging from 65 months to 72 months and include options to renew as well as rent escalation clauses and, in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

The rent escalations and incentives have been reflected in the following table. Future minimum lease payments, as at December 31, 2016 and 2015, associated with these agreements with terms of one year or more are approximately as follows:

	2016	2015
Within one year	**$183,865**	$212,837
After one year but not more than five years	**223,558**	436,870
	$407,423	$649,707

Rent expense in 2016 and 2015 amounted to $226,337 and $226,369, respectively (see Note 14).

18. Financial Instruments and Risk Management Objectives and Policies

Financial Instruments

As at December 31, 2016 and 2015, the Group does not hold any financial assets and liabilities carried at fair value.

Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The main risks arising from the Group's financial statements are credit risk and liquidity risk. The BOD reviews and agrees on certain policies for managing some of these risks as summarized below:

Credit risk
Credit risk is the risk that loss may arise on outstanding financial instruments should counterparties default on their obligations.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, reports on customers and other counterparties are obtained and used.

The following tables provide the credit quality and age analysis of the Group's financial assets according to the Group's credit ratings of debtors as at December 31, 2016 and 2015, respectively:

	2016						
	Neither Past Due nor Impaired	**Age Analysis of Past Due but not Impaired**				**Past Due and Impaired**	**Total**
		<30 Days	**30–60 Days**	**61–90 Days**	**91–120 Days**		
Cash	**$189,687**	**$–**	**$–**	**$–**	**$–**	**$–**	**$189,687**
Receivables:							
Trade	**6,934,146**	**1,138,658**	**363,140**	**175,043**	**39,604**	**327,587**	**8,978,178**
Nontrade:							
Advances to employees	**21,343**	–	–	–	–	–	**21,343**
Others	**12,825**	–	–	–	–	–	**12,825**
Deposits	**35,071**	–	–	–	–	–	**35,071**
	$7,193,072	**$1,138,658**	**$363,140**	**$175,043**	**$39,604**	**$327,587**	**$9,237,104**

	2015						
	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past Due and Impaired	Total
		<30 Days	30–60 Days	61–90 Days	91–120 Days		
Cash	$376,367	$–	$–	$–	$–	$–	$376,367
Receivables:							
Trade	6,227,036	1,175,888	527,350	183,502	151,753	550,688	8,816,217
Nontrade:							
Receivable from a related party	800,000	–	–	–	–	–	800,000
Advances to employees	19,860	–	–	–	–	–	19,860
Others	4,790	–	–	–	–	–	4,790
Deposits	35,213	–	–	–	–	–	35,213
	$7,463,266	$1,175,888	$527,350	$183,502	$151,753	$550,688	$10,052,447

The credit quality of financial instruments is managed by the Group using internal credit ratings. Financial instruments classified under "Neither past due nor impaired" include high grade credit quality instruments because there were few or no history of default on the agreed terms. "Past due but not impaired" are items with history of frequent default nevertheless the amount due are still collectible. Lastly, "Past due and impaired" are those that are long outstanding and has been provided with allowance for impairment.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's objective is to be able to finance its working capital requirements and capital expenditures. To cover the Group's financing requirements, the Group uses internally-generated funds and proceeds from debt. Projected and actual cash flow information are regularly evaluated to ensure it meets these requirements. Funding for long-term liquidity needs is additionally secured by an adequate amount of credit facilities and obtaining advances from related parties.

Financial assets
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected dates the assets will be realized.

Financial liabilities
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date.

	2016			
	Up to a Year	**1 to 3 Years**	**3 to 5 Years**	**Total**
Financial Assets				
Cash	**$189,687**	**$–**	**$–**	**$189,687**
Receivables	**8,684,759**	**–**	**–**	**8,684,759**
Deposits	**6,408**	**28,663**	**–**	**35,071**
	8,880,854	**28,663**	**–**	**8,909,517**
Financial Liabilities				
Trade accounts payable and other liabilities*	**1,815,534**	**–**	**–**	**1,815,534**
Notes payable	**4,499,994**	**–**	**–**	**4,499,994**
Loans payable	**1,849,320**	**–**	**–**	**2,253,533**
Payable to related parties	**404,213**	**–**	**–**	**404,213**
Total financial liabilities	**8,569,061**	**–**	**–**	**8,569,061**
Liquidity Position	**$311,793**	**$28,663**	**$–**	**$340,456**

**Excluding nonfinancial liabilities amounting to $139,527 as at December 31, 2016.*

	2015			
	Up to a Year	1 to 3 Years	3 to 5 Years	Total
Financial Assets				
Cash	$376,367	$–	$–	$376,367
Receivables	8,290,179	800,000	–	9,090,179
Deposits	6,550	28,663	–	35,213
	8,673,096	828,663	–	9,501,759
Financial Liabilities				
Trade accounts payable and other liabilities*	1,664,840	–	–	1,664,840
Loans payable	556,690	–	–	556,690
Payable to related parties	72,442	–	–	72,442
Total financial liabilities	2,293,972	–	–	2,293,972
Liquidity Position	$6,379,124	$828,663	$–	$7,207,787

**Excluding nonfinancial liabilities amounting to $111,157 as at December 31, 2015.*

Operating and regulatory risk
The Group is accredited by the The Joint Commission, a private sector, US-based, not-for-profit organization. This accreditation significantly influences the Group'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 Group's credentialing and operating procedures and ability to staff qualified healthcare professionals. The Group 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 Group 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.

19. Capital Management

The Group's capital management objectives are:

- To ensure the Group's 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.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. It sets the amount of capital in proportion to its overall financing structure, i.e., equity and financing liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risks characteristic of the underlying business.

There have been no changes to the Group's capital management objectives, policies and procedures during the years ended December 31, 2016 and 2015.

20. Events After Reporting Period

On January 10, 2017, the BOD of the Group approve the cessation of operations of NurseTogether, LLC effective February 1, 2017.

SUPPLEMENTARY SCHEDULES

CIRRUS HOLDINGS USA, LLC

Statements of Financial Position
Statements of Comprehensive Income

CIRRUS ALLIED, LLC

Statements of Financial Position

NURSETOGETHER, LLC

Statements of Financial Position
Statements of Comprehensive Income

CIRRUS HOLDINGS USA, LLC
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash	**$142,321**	$335,658
Trade receivables, net of allowance for doubtful accounts of $281,486 and $479,587 as of December 31, 2016 and 2015, respectively	**8,583,713**	8,168,587
Intercompany receivable	**7,997,088**	779,953
Prepaid expenses and other current assets	**231,281**	329,142
Total Current Assets	**16,954,403**	9,613,340
Noncurrent Assets		
Property and equipment, net of accumulated depreciation and amortization of $277,058 and $241,952 as of December 31, 2016 and 2015, respectively	**78,371**	96,951
Software, net of accumulated amortization of $431,096 and $425,938 as of December 31, 2016 and 2015 respectively.	**3,251**	–
Rent deposit	**28,663**	28,663
Total Noncurrent Assets	**110,285**	125,614
TOTAL ASSETS	**$17,064,688**	$9,738,954
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	**$1,849,321**	$556,690
Accounts payable and accrued expenses	**1,785,560**	1,620,386
Intercompany payable	**406,287**	852,383
Total Current Liabilities	**4,041,168**	3,029,259
Member's Equity		
Member's unit	**1,145,824**	2,403,402
Retained earnings	**11,877,696**	4,306,093
Total Equity	**13,023,520**	6,709,495
TOTAL LIABILITIES AND EQUITY	**$17,064,688**	$9,738,954

CIRRUS HOLDINGS USA, LLC
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
SERVICE REVENUES	**$53,727,099**	$40,151,038
COST OF SERVICES	**40,051,801**	30,272,599
GROSS PROFIT	**13,675,298**	9,878,439
EXPENSES		
Salaries, wages and employee benefits	**2,590,643**	2,295,606
Commissions	**2,023,934**	1,301,916
Professional fees	**856,465**	700,909
Insurance	**319,296**	229,951
International processing cost	**303,771**	161,697
Advertising	**242,274**	232,091
Rent	**226,337**	226,369
Provision for doubtful accounts	**168,000**	274,220
Communications	**94,216**	89,803
Transportation and travel	**57,493**	59,216
Taxes and licenses	**45,321**	28,719
Depreciation and amortization	**38,014**	32,690
Office supplies	**25,334**	16,268
Representation and entertainment	**24,875**	25,424
Shipping and delivery	**22,749**	21,226
Other expenses	**88,779**	69,988
	7,127,501	5,766,093
OTHER INCOME (CHARGES)		
Interest expense	**(4,480)**	(7,480)
Miscellaneous income	**120,737**	5,564
	116,257	(1,916)
INCOME BEFORE MANAGEMENT FEE	**6,644,054**	4,110,430
MANAGEMENT FEE	**345,000**	144,000
TOTAL COMPREHENSIVE INCOME	**$6,319,054**	$3,966,430

CIRRUS ALLIED, LLC
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Trade receivables, net of allowance for doubtful accounts of $46,101 as of December 31, 2016 and 2015.	**$35,323**	$35,323
Intercompany receivable	**1,784,316**	1,784,316
TOTAL ASSETS	**$1,819,639**	$1,819,639
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**$8,306**	$8,306
Intercompany payable	**3,562**	3,562
Total Current Liabilities	**11,868**	11,868
Member's Equity		
Member's unit	**1,029,241**	1,029,241
Retained earnings	**778,530**	778,530
Total Equity	**1,807,771**	1,807,771
TOTAL LIABILITIES AND EQUITY	**$1,819,639**	$1,819,639

NURSETOGETHER, LLC
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash	**$10,781**	$36,546
Trade and other receivables	**65,724**	86,267
Prepaid expenses and other current assets	–	7,425
Total Current Assets	**76,505**	130,238
Noncurrent Assets		
Property and equipment, net of accumulated depreciation of $26,831 and $22,991 as at December 31, 2016 and 2015, respectively	**–**	3,840
Software, net of accumulated amortization of $485,000 and $433,084 as of December 31, 2016 and 2015, respectively	**–**	51,916
Total Noncurrent Assets	**–**	55,756
TOTAL ASSETS	**$76,505**	$185,994
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**4,094**	$14,569
Intercompany payable	**960,194**	1,133,405
Total Current Liabilities	**964,288**	1,147,974
Member's Equity		
Member's unit	**2,340**	2,340
Deficit	**(890,123)**	(964,320)
Capital Deficiency	**(887,783)**	(961,980)
TOTAL LIABILITIES AND EQUITY	**$76,505**	$185,994

NURSETOGETHER, LLC
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
SERVICE REVENUES	**$457,417**	$519,593
COST OF SERVICES	**27,885**	34,574
GROSS PROFIT	**429,532**	485,019
EXPENSES		
Salaries, wages and employee benefits	**174,995**	157,423
Depreciation and amortization	**62,063**	81,639
Commision	**40,390**	65,205
Professional fees	**29,736**	27,988
Advertising	**22,660**	20,269
Insurance	**13,599**	11,312
Provision for doubtful accounts	**7,500**	–
Communication	**3,600**	1,900
Transportation and travel	**3,394**	304
Shipping and delivery	**1,077**	1,716
Bank charges	**995**	793
Taxes and licenses	**359**	629
Office supplies	**116**	–
Other expenses	**267**	478
	360,751	369,656
OTHER INCOME		
Miscellaneous income	**388**	708
TOTAL COMPREHENSIVE INCOME	**$69,169**	$116,071

COVER SHEET

P	W	-	0	2

SEC Registration Number

A . S O R I A N O C O R P O R A T I O N

(Company's Full Name)

7/ F P A C I F I C S T A R B U I L D I N G
G I L J. P U Y A T A V E N U E C O R. M A K A T I A V E.
M A K A T I C I T Y

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

ATTY. JOSHUA L. CASTRO
(Contact Person)

819-0251
(Company Telephone Number)

Consolidated Changes in the ACGR for 2016

1 2 | 3 1
Month *Day*
(Fiscal Year)

(Form Type)

3rd Wednesday of April
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

A. SORIANO CORPORATION

SECRETARY'S CERTIFICATE

I, **ATTY. JOSHUA L. CASTRO**, Assistant Corporate Secretary of **A. SORIANO CORPORATION** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify that at the regular meeting of the Board of Directors held on February 22, 2017, the following resolutions were approved:

> "RESOLVED, as it is hereby resolved, that the Board of Directors of the Company approves the updates to its 2016 Annual Corporate Governance Report (ACGR) as follows:
>
> - Date of election and the number of years served of the members of the Board of Directors;
> - Directors' Directorship in the Company's Group;
> - Shareholdings of Directors in the Company;
> - Voting Result of the last Annual General Meeting;
> - Programs and seminars attended by the Directors during the year;
> - Number of Board meetings during the year and attendance of Directors;
> - Aggregate remuneration of Executive Directors, Non-Executive Directors and Independent Directors;
> - Remuneration of the Officers of the Company;
> - Number of meetings of the Board Committees held during the year and the length of service of its members in their respective Committees;
> - Updated profile or qualifications of the Audit Committee members
> - Ownership structure of:
>   a. Shareholders/Beneficial Owners
>   b. Senior Management of the Company;
> - External Auditor's Fee for the year 2015
> - Date of release of 2015 audited financial report;
> - Dividend declared by the Company for the year 2015;
> - Details of attendance in the 2015 stockholders meeting of the Company; and
> - Definitive information statements and management report for 2015

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of March, 2017 at Makati City.

ATTY. JOSHUA L. CASTRO
Assistant Vice President and
Assistant Corporate Secretary

A. SORIANO CORPORATION, 7TH FLOOR, PACIFIC STAR BUILDING, MAKATI AVENUE COR. GIL J. PUYAT AVENUE, 1209 MAKATI CITY
P.O. BOX 1304 MAKATI CENTRAL POST OFFICE, 1252 MAKATI CITY, PHILIPPINES • TEL: 819-0251 to 70 • E-MAIL: asoriano@globe.com.ph

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 22 day of March, 2017 at Makati City, affiant exhibited to me his Passport No. EC2569878 issued in Manila on October 29, 2014 and expiring on October 28, 2019.

Doc. No. 75;
Page No. 17;
Book No. XVII;
Series of 2017.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-155; Roll No. 20642
Commission expires on 12-31-18
PTR No. 5930045; 1-12-17; Makati City
IBP No. 1032456, 11-24-16, Pasig City
TIN: 100-364-501

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2016**

2. Exact Name of Registrant as Specified in its Charter **A. SORIANO CORPORATION**

3. **7TH FLOOR, PAC IFIC STAR BLDG., MAKATI AVENUE, MAKATI CITY** **1209**
   Address of Principal Office Postal Code

4. SEC Identification Number **PW-2**.

5. (SEC Use Only)
   Classification Code

6. BIR Tax Identification Number .**000-103-216**

7. **(02) 819-0251 to 60**
   Issuer's Telephone number, including area code

8. **N.A.**
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)

Actual number of Directors for the year	Seven (7)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Andres Soriano III	ED		Eduardo J. Soriano	1983	2016	April 20, 2016	33
Eduardo J. Soriano	ED		Eduardo J. Soriano	1980	2016	April 20, 2016	36
Ernest K. Cuyegkeng	ED		Eduardo J. Soriano	2009	2016	April 20, 2016	7
John Gokongwei, Jr.	NED		Eduardo J. Soriano	1980	2016	April 20, 2016	36
Oscar J. Hilado	ID		Eduardo J. Soriano, no relationship	1998	2016	April 20, 2016	18
Jose C. Ibazeta	NED		Eduardo J. Soriano	1981	2016	April 20, 2016	30*
Roberto R. Romulo	ID		Eduardo J. Soriano, no relationship	1998	2016	April 20, 2016	18

** Mr. Ibazeta served as Director from 1981 to 1998. He was elected again from 2004 to 2009. He resigned in March 21, 2010 in view of his appointment as Acting Secretary of the Department of Energy and after his term has ended, was re-elected again as Director on July 26, 2010.*

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Corporate Governance Policy

The corporate governance policy of A. Soriano Corporation (the "Company") is set forth in its Manual on Corporate Governance, which serves as guide for the Company, its Board of Directors as well as officers and employees. The Manual contains basic policies, procedures and practices towards the following:

a. Sound, prudent, and effective management,
b. Efficient and effective management information system,
c. Effective risk management,
d. Reliability and integrity of financial and operational information,
e. Cost effective and profitable business operations,
f. Compliance with laws, rules, regulations and contracts, and
g. Enhancing the value of the Company.

Board Responsibilities

The Board of Directors is primarily responsible for the governance of the Company. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

To ensure a high standard of best practice for the Company and its stockholders, the Board should conduct itself with honesty and integrity in the performance of its duties and functions –

(a) Implement a process for the selection of directors who can add value to the formulation of corporate strategies and policies;

[1] Reckoned from the election immediately following January 2, 2012.

(b) Provide sound strategic policies and guidelines to the Company on major capital expenditures;

(c) Ensure the Company's compliance with all applicable laws, regulations and best business practices;

(d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company;

(e) Identify the sectors in the community in which the Company operates and formulate policy of accurate, timely and effective communication with them,

(f) Adopt a system of check and balance within the Board;

(g) Identify and monitor key risk areas and performance indicators to enable the Corporation to anticipate and prepare for threats to its operational and financial viability;

(h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions;

(i) Constitute an Audit Committee and other committees necessary to assist the Board in the performance of its duties and responsibilities;

(j) Establish and maintain an alternative dispute resolution system;

(k) Meet at such times or frequency as may be needed;

(l) Keep the activities and decisions of the Board within its authority; and

(m) Appoint a Compliance Officer, among others.

Board Accountability and Audit

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Stockholders' Rights and Protection of Minority Stockholders' Interests

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

a. Right to vote on all matters that require their consent or approval;
b. Pre-emptive right to all stock issuances of the Company;
c. Right to inspect corporate books and records;
d. Right to information;
e. Right to dividends; and
f. Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.

It is the duty of the Board to promote the right of the stockholders, remove impediments to the exercise of those rights and provide avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders an avenue to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company

Disclosure and Transparency

The essence of corporate governance is transparency. The more transparent the internal workings of the Company are, the more difficult it is for Management and dominant stockholders to mismanage the Company or misappropriate its assets.

It is therefore essential that all material information about the Company which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

(c) How often does the Board review and approve the vision and mission?

No fix schedule, on as needed basis.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, and if applicable, the members of the Company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Andres Soriano III	Anscor Consolidated Corp. Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation Andres Soriano Foundation, Inc.	ED - Chairman NED – Chairman NED - Chairman NED – Chairman NED – Chairman ED-Chairman
Eduardo J. Soriano	Cirrus Global, Inc. A. Soriano Air Corporation Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation	Chairman NED – Chairman NED NED
Ernest K. Cuyegkeng	Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation A. Soriano Air Corporation	NED NED ED ED ED

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Cirrus Global, Inc. Andres Soriano Foundation, Inc.	ED NED
Oscar J. Hilado	Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc.	NED NED
Jose C. Ibazeta	Anscor Consolidated Corp. Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation Island Aviation, Inc.	NED ED ED NED NED NED - Chairman

(ii) Directorship in Other Listed Companies

Identify, and if applicable, the members of the Company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Andres Soriano III	International Container Terminal Services, Inc.	NED
Ernest K. Cuyegkeng	Arthaland Corporation	ID – Chairman
John L. Gokongwei, Jr.	JG Summit Holdings, Inc. Robinsons Retail Holdings, Inc. Universal Robina Corporation Robinsons Land Corporation Cebu Air, Inc. JG Summit Petrochemical Corp. Oriental Petroleum and Minerals Corp. Manila Electric Company	NED – Chairman ED - Chairman NED NED NED NED NED NED
Oscar J. Hilado	PHINMA Corporation Trans-Asia Oil and Energy Development Corporation First Philippine Holdings Corporation Philex Mining Corporation	NED – Chairman NED – Chairman ID ID
Jose C. Ibazeta	International Container Terminal Services, Inc.	NED
Roberto R. Romulo	Robinsons Retail Holdings, Inc.	ID

(iii) Relationship within the Company and its Group

Provide details, and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Andres Soriano III	Anscor Consolidated Corp.	Chairman

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None.	None.
Non-Executive Director	None.	None.
CEO	None.	None.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andres Soriano III	50,490,265	438,938,005	19.58%
Eduardo J. Soriano	20,000	188,495,944	7.54%
Ernest K. Cuyegkeng	20,000	-	0.00%
John L. Gokongwei, Jr.	130,960	74,794	0.01%
Oscar J. Hilado	20,000	-	0.00%
Jose C. Ibazeta	32,951	-	0.00%
Roberto R. Romulo	20,000	-	0.00%
TOTAL	**50,734,176**	**627,508,743**	**27.13%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☐ No ☑

The existence of the various Board Committees, namely, Executive Committee, Compensation Committee, Audit Committee and Investment Committee and the presence of Independent Directors in the Board of Directors provide the checks and balances.

Identify the Chair and CEO:

Chairman of the Board	Andres Soriano III
CEO/President	Andres Soriano III

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman / CEO	President
Role	Preside at the meetings of the Board of Directors and of the Stockholders Carry out the resolutions of the Board of Directors Have general supervision and administration of the affairs of the Company. To represent the Company at all functions and proceedings and, unless otherwise directed by the Board, to	To supervise and direct the day-to-day business affairs of the Company. Subject to guidelines prescribed by law or by the Chairman of the Board and Chief Executive Officer, to appoint, remove, suspend or discipline employees of the Company, prescribe their duties, determine their salaries. To exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer may

	attend and/or vote (in person or by proxy) at any meeting of shareholders of corporations in which the Company may hold stock and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present. To execute on behalf of the Company all contracts, agreements and other instruments affecting the interests of the Company, which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors. To sign certificates of stock. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors. Ensure that the meetings of the Board are held in accordance with the Bylaws. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestion of Management and other directors. Maintain qualitative and timely lines of communication and information between the Board and Management.	from time to time assign to him. Unless otherwise directed by the Board of Directors or by the Chairman of the Board and Chief Executive Officer, to exercise the latter's functions in the event or absence or temporary disability of the Chairman of the Board and Chief Executive Officer and the Vice Chairman of the Board.
Accountabilities	To make reports to the Directors and Stockholders	To ensure that the administration and operational policies of the Company are carried out under the direction and control of the Chairman of the Board and Chief Executive Officer.
Deliverables	Initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors	To recommend to the Chairman of the Board and Chief Executive Officer specific projects for the attainment of corporate objectives and policies. To oversee the preparation of the budgets and the statements of accounts of the Company. To prepare such statements and reports of the Company as may be required by law.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Directors is in the process of formulating the plan for succession for the Company.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company promotes the election of a mix of executive and non-executive directors, that would allow a healthy balance of ideas, opinion, wisdom and experience on the management and business of the Company and in order that no director or small group of directors can dominate the decision-making process.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. This necessarily means that a director has some experience in the sector or industry to which the Company belongs. Moreover, the Board may provide for additional qualifications for directors which may include, among others, the following:

a. College education or equivalent academic degree;
b. Practical understanding of the business of the Company;
c. Membership in good standing in relevant industry, business or professional organization; and
d. Previous business experience.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	**Non-Executive**	**Independent Director**
Role	Foster the long-term success of the Company, and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.	Same role.	Same role.
Accountabilities	Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. Act judiciously. Exercise independent judgment. Observe confidentiality.	Same accountabilities.	Same accountabilities.
Deliverables	Formulate the Company's vision, mission, strategic or objectives, policies and procedures	Same deliverables.	Same deliverables.

	that shall guide its activities, including the means to effectively monitor Management's performance.		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company's By-Laws provide for the definition of an independent director in conformity with the definition of an independent director as provided for in the Securities Regulations Code and its implementing rules and regulations. As defined, an "independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:

A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;

C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

E. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

F. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

G. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

H. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

The Company ensures that its independent directors comply with the above definition for an independent director. Further, the Company's independent directors are required to submit annually a certification that they possess all the qualifications and none of the disqualifications to serve as independent directors, listing therewith all their affiliations with other companies.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company adheres to the provision of SEC Memorandum Circular No. 09-11 dated December 5, 2011, which prescribes a term limit of five consecutive years for independent directors (reckoned from the effectivity date of the Circular.)

After the lapse of the five-year service period, the independent director shall be ineligible for election unless he/she has undergone a "cooling off" period of two years, provided that the independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as an independent director of the Company. After the "cooling off" period, the independent director may serve for another five consecutive years.

After serving as independent director for ten years, he or she shall no longer qualify for election as an independent director of the Company.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None	None	None	None

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Company), on March 1 of every year or at such earlier or later date as the Board of Directors may fix. Each nomination under the preceding paragraph shall set forth (i) the name, age, business address, if known, address of each nominee, (ii) the principal occupation or employment of each such nominee, (ii) the number of shares of stock of the Company which are beneficially owned by each such nominee, and (iv) interests and positions held by each nominee in other Company's. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Company. The Board, by a majority vote may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for	A director must have at least twenty thousand (20,000) shares of stock of the Company in his name in the books of the Company. The Board may provide for additional qualifications which may include, among others, the following: a. College education or equivalent academic degree; b. Practical understanding of the business of the Company; c. Membership in good standing in relevant industry, business or professional organization; and d. Previous business experience. Majority of the directors shall be citizens of the Philippines. Majority of the directors shall also be residents of the Philippines.

	election as Director and if the Board should so determine the defective nomination and the nomination of a disqualified person shall be disregarded.	
(ii) Non-Executive Directors	Same process as the election of executive directors.	Same criteria as election of executive directors. Further, the non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
(iii) Independent Directors	Same process as the election of executive directors.	Same criteria as election of executive directors. Further, he or she must comply with the definition of an independent director and possess all the qualifications and none of the disqualifications for serving as independent director as provided for in the Company's By-Laws and the provisions of the Securities Regulation Code and its implementing rules and regulations.
b. Re-appointment		
(i) Executive Directors	Same process for nomination and election of executive directors set forth above.	Same criteria for nomination and election of executive directors set forth above.
(ii) Non-Executive Directors	Same process for nomination and election of non-executive directors set forth above.	Same criteria for nomination an election of non-executive directors set forth above.
(iii) Independent Directors	Same process for nomination and election of independent directors set forth above.	Same criteria for nomination and election of independent directors set forth above. Further, the re-election of independent directors must observe the term limit prescribed in SEC Memorandum Circular No. 09-11.
c. Permanent Disqualification		
(i) Executive Directors	The following are the grounds for permanent disqualification of a director: a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code;	Same as grounds for permanent disqualification of a director.

	(ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Company Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission of BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from	

	membership, participation or association with a member or participant of the organization; c. Any person convicted by final judgment or order of a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Company Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order; e. Any person judicially declared as insolvent; f. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above. g. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Company Code committed within five (5) years prior to date of his election or appointment.	
(ii) Non-Executive Directors	Same as grounds for permanent disqualification of an executive director.	Same as grounds for permanent disqualification of non-executive directors.
(iii) Independent Directors	Same as grounds for permanent disqualification of an executive director.	Same as grounds for permanent disqualification of independent directors.

	Further, an independent director may also be permanently disqualified as independent director if he or she becomes an officer, employee or consultant of the Company. Provided, however, that the said independent director may continue to serve as a director if the Company still complies with the requirement on the number of independent director(s) as required by the By-Laws.	
d. Temporary Disqualification		
(i) Executive Directors	The Board may provide for the temporary disqualification of a director for any of the following reasons: a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists. b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless that absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. c. Dismissal or termination for cause as director of any Company covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.	Same as grounds for temporary disqualifications of executive directors.

	A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	
(ii) Non-Executive Directors	Same as grounds for temporary disqualification of executive directors.	Same as grounds for temporary disqualifications of non-executive directors.
(iii) Independent Directors	Same as grounds for temporary disqualification of executive directors. In addition, if the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.	Same as grounds for temporary disqualifications of independent directors.
e. Removal		
(i) Executive Directors	The Company adheres to the provision of the Corporation Code on removal of directors. Section 28 of the Corporation Code, as amended, provides that any director may be removed from office by a vote of the stockholders holding or representing two-thirds of the outstanding capital stock, provided, that such removal shall take place either at a regular meeting of the Company or at special meeting called for the purpose, and in either case, after previous notice to stockholders of the Company of the intention to propose such removal at the meeting. A special meeting of the stockholders for the purpose of removal of directors must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the	Removal may be with or without cause provided that removal without cause may not be used to deprived minority stockholders or members of the right of representation to which they may be entitled under Section 24 of the Corporation Code, as amended.

	special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the Company signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal must be given by publication or by written notice.	
(ii) Non-Executive Directors	Same as process for removal of executive directors.	Same criteria for removal of executive directors.
(iii) Independent Directors	Same as process for removal of independent directors.	Same criteria for removal of executive directors.
f. Re-instatement		
(i) Executive Directors	A director may only be re-instated through election during annual stockholders meeting or by majority vote of the directors to fill a vacancy in the Board in case where a director resigns due to a disqualification (e.g., appointment to a Cabinet position) and after cessation of such disqualification.	Same as process for re-instatement of executive directors.
(ii) Non-Executive Directors	Same as re-instatement of executive directors.	Same as process for re-instatement of non-executive directors.
(iii) Independent Directors	Same as re-instatement of independent directors.	Same as process for re-instatement of independent directors.
g. Suspension		
(i) Executive Directors	The Company's By-Laws or Manual on Corporate Governance does not provide for grounds for suspension of Directors. However, Directors of the Company are expected to observe the highest standard of business conduct or ethics and as such are expected to fully inform the Board of Directors of any potential issue in exercising his or her functions and duties as Director.	No criteria but Directors are expected to exercise prudence and sound independent judgment.
(ii) Non-Executive Directors	Same as above.	Same as above.
(iii) Independent Directors	Same as above.	Same as above.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Andres Soriano III	2,241,672,385
Eduardo J. Soriano	2,241,672,385
Ernest K. Cuyegkeng	2,241,672,385
John L. Gokongwei, Jr.	2,241,672,385
Oscar J. Hilado	2,241,672,385
Jose C. Ibazeta	2,241,672,385
Roberto R. Romulo	2,241,672,385

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The Company requires that a new director, before assuming office attend a seminar on corporate governance conducted by a duly recognized private or government institution.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

None as the Company's Directors and Senior Management have considerable expertise in their respective fields. However, Directors and Senior Management regularly attend briefings and conferences and avail themselves of publications to update their knowledge and skills in their field of expertise.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Andres Soriano III	October 25, 2016	Corporate Governance	SGV & Co.
Eduardo J. Soriano	October 25, 2016	Corporate Governance	SGV & Co.
Oscar J. Hilado	September 16, 2016	Corporate Governance	Institute of Corporate Directors
Ernest K. Cuyegkeng	October 25, 2016	Corporate Governance	SGV & Co.
Jose C. Ibazeta	October 25, 2016	Corporate Governance	SGV & Co.
Roberto R. Romulo	May 3, 2016	Corporate Governance	PLDT
John L. Gokongwei, Jr.		Exempted by SEC per Letter dated November 12, 2015	

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	A director should ensure that his	The Company has a long-standing policy to	Same with Senior Management.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	personal interest does not conflict with the interests of the Company. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.	require the highest standards of ethics and morality for the Company and its employees. An employee has a duty of loyalty to the Company. An employee shall not have conflicting interests in any competitor of the Company or in any organization with which the Company does business. Such interest creates an unfavorable impression and raises an implication of impropriety.	
(b) Conduct of Business and Fair Dealings	A director should conduct fair business transactions with the Company. The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests.	Same with Directors.	An employee on a full-time employment with the Company is expected to devote his full regular working time to the Company. The Company and its representatives are expected to transact business on an ethical basis.
(c) Receipt of gifts from third parties	Gifts of nominal	Same with Directors.	Relationship with commercial customers or suppliers may occasionally present circumstances when gifts or favors are exchanged as an accepted practice. Such practice is considered proper under the following guidelines: a. Certain business courtesies, such as payment for a modest lunch or dinner

	value and if given on special occasions, e.g., birthdays, Christmas, etc., may be permissible.		in connection with a business meeting, normally would not be a gift within the context of the general policy. Employees concerned should endeavor to keep such courtesies on a reciprocal basis, to the extent practicable, in order to demonstrate that no gift is sought or granted. b. Advertising novelties would not be inappropriate to give or receive, provided the item is on no appreciable value, and is widely distributed to others und er essentially the same business relationship with the donor. c. Company products, models, and pictures made available under customer and public relations program would not be in violation of the general policy. d. Offers by present or potential suppliers to provide expense-paid trips for pleasure must be declined. Offers of suppliers to provide expense-paid trips to suppliers' facility or other destination for business must be referred to Management before being considered.
(d) Compliance with Laws & Regulations	A Director should ensure that he or she and the Company comply with all laws and rules and regulations.	Senior Management should ensure that he or she and the Company comply with all laws and rules and regulations.	All employees should ensure that they and the Company comply with all laws and rules and regulations.
(e) Respect for Trade Secrets/Use of Non-public Information	A director should keep secure and confidential all non-public information he may require or learn by reason of his position as director. He should not reveal confidential information without the authority of the	Same policy as in case of Directors.	All employees have the duty to keep all sensitive information confidential and in case of doubt they should elevate the matter to superior officers for clarification and guidance.

	Board.		
(f) Use of Company Funds, Assets and Information	Use of Company funds, assets and information for personal benefit is not permissible. Company equipment may be borrowed under justifiable conditions subject to Company guidelines.	Same policy applicable to Directors.	Same policy applicable to - Directors.
(g) Employment & Labor Laws & Policies	A Director should ensure that the Company complies will all employment and labor laws and rules and regulations.	Senior Management should ensure that the Company complies will all employment and labor laws and rules and regulations.	All employees should ensure that the Company complies with all employment and labor laws and rules and regulations.
(h) Disciplinary action	No specific policy but Directors are expected to act based on highest standard of conduct and if a situation will arise that will result to a potential issue with the Company, a Director is expected to fully inform the Board and if necessary voluntarily refrain from exercising his functions as Director until such time that the potential issue is resolved.	Based on decision of Chairman of the Board and CEO.	The Company believes that the most effective discipline is that which is self-motivated. The individual's views, dignity, as well as their need for security are recognized by the organization. Effort is exerted to promote effective employee-management relations, to prevent situations requiring disciplinary actions. The objective of disciplinary action is corrective rather than punitive. When clearly warranted however, disciplinary action is to be initiated promptly, and in accordance with Company's policy and procedure. Due process shall be observed at all times. Action must be timely and prudent. Impartiality and open-mindedness should characterize the investigation of cases. In the application of penalties/sanctions, uniformity and fairness should be exercised.
(i) Whistle Blower	It is the Company's policy to investigate complaints fairly and protect the identity of complainant.	Same policy applicable to Directors.	Same policy applicable to directors.

(j) Conflict Resolution	Through amicable settlement acting with utmost professionalism with Independent Directors as impartial arbiters.	Same policy applicable to Directors.	Conflict resolution is handled by the Company's Labor-Management Council.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

With respect to the Board of Directors, the Chairman monitors compliance with code of ethics or conduct. For Company employees, monitoring of compliance is through Personnel Department.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Only inter-company receivables and payables are permissible.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	The Company does not allow related party transactions with substantial stockholders, officers and their family and directors and their family.
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None.
Name of Officer/s	None.
Name of Significant Shareholders	None.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Through open dialogue conducted with utmost professionalism with the Chairman and the Independent Directors as impartial arbiters.
Group	Same as above.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None.		
None.		
None.		
None.		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None.		
None.		
None.		
None.		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None.		
None.		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the Company and its stockholders, and the Company and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	No conflict or differences for the last three years.
Corporation & Third Parties	No conflict or differences for the last three years.
Corporation & Regulatory Authorities	No conflict or differences for the last three years.

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Per By-Laws, meetings of the Board of Directors must be held quarterly. In practice, meetings of the Board of Directors are held at least five times a year.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Andres Soriano III	April 20, 2016	4	4	100%
Member	Eduardo J. Soriano	April 20, 2016	4	4	100%
Member	Ernest K. Cuyegkeng	April 20, 2016	4	4	100%
Member	John L. Gokongwei, Jr.	April 20, 2016	4	3	75%
Member	Jose C. Ibazeta	April 20, 2016	4	4	100%
Independent	Oscar J. Hilado	April 20, 2016	4	3	75%
Independent	Roberto R. Romulo	April 20, 2016	4	4	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members?

Per By-Laws, a majority of the entire membership of the Board shall constitute a quorum for the transaction of any business.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

At least two to three days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Yes. Specifically, the Corporate Secretary should –

a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;

b. Be loyal to the mission, vision and objectives of the Company;

c. Work fairly and objectively with the Board, Management and stockholders;

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

d. Have appropriate administrative and interpersonal skills;

e. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

f. Have a working knowledge of the operations of the Company;

g. Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

j. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

k. Issue a Certification every January 30th of the year on the attendance of directors in meetings of the board of directors countersigned by the Chairman of the Board.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] No [ ]

Committee	Details of the procedures
Executive	The Directors are provided with materials in advance.
Audit	The Directors are provided with materials in advance.
Nomination	Not applicable.
Remuneration	The Directors are provided with materials in advance.
Investment	The Directors are provided with materials in advance.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
For investments in financial assets, Directors may seek external advice from Maybank ATR Kim Eng Securities. For accounting and tax, with SGV & Co. For legal matters, with law firm of Picazo Buyco Tan Fider and Santos.	Same.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None.	None.	None.
None.	None.	None.
None.	None.	None.

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Determined by the Compensation Committee using benchmarking based on industry standards.	Same process applicable to CEO.
(2) Variable remuneration	Not applicable.	Not applicable.
(3) Per diem allowance	Not applicable.	Not applicable.
(4) Bonus	Bonus of not more than 3% of the preceding year's net income is approved by the Compensation Committee and the Board of Directors.	Same process for CEO.
(5) Stock Options and other financial instruments	Not applicable.	Not applicable.
(6) Others (specify)	Not applicable.	Not applicable.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Entitled to per diem allowance of P20,000 for every Board meeting attended.	Entitled to fixed per diem allowance based on Board meeting attendance and annual director's bonus as may be approved by the Board within Company policy.	Per diem allowance is fixed at P20,000 while annual director's bonus as may be approved by the Compensation Committee and the Board of Directors should not exceed 1% of the net income after tax during the

			preceding year.
Non-Executive Directors	Same per diem allowance as mentioned above.	Same compensation structure as mentioned above.	Same as above.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Per diem allowance and annual bonus not exceeding 1% of the net income after tax of the preceding year.	This was formally approved by the stockholders as a standing policy during the Annual Stockholders on April 21, 2004. Annually, the Company requests the stockholders during the Annual Stockholders Meeting to ratify all acts and resolutions of the Board of Directors. Part of such acts and resolutions is approval of directors' bonus, latest approval of which from stockholders was made during the Annual Stockholders' Meeting held on April 20, 2016.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors and Independent Directors
(a) Fixed Remuneration	P56,414,233.00	
(b) Variable Remuneration		
(c) Per diem Allowance		
(d) Bonuses	P39,300,000.00	
(e) Stock Options and/or other financial instruments		
(f) Others (Specify)	P2,127,602.00	
Total	P97,841,835.00*	P14,122,857.00

G *Includes compensation for two executive officers who are not directors.*

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Not applicable.	Not applicable.	Not applicable.
2) Credit granted	Not applicable.	Not applicable.	Not applicable.
3) Pension Plan/s Contributions	P7,723,176.00	Not applicable.	Not applicable.
(d) Pension Plans, Obligations incurred	Not applicable.	Not applicable.	Not applicable.
(e) Life Insurance Premium	Not applicable.	Not applicable.	Not applicable.

(f) Hospitalization Plan	Annual medical benefit of P500,000.00 per ED.	Not applicable.	Not applicable.
(g) Car Plan	Car Plan with vehicle cost equivalent to P3M – P7 M. May be availed every 5 years.	Not applicable.	Not applicable.
(h) Others (Specify)	Not applicable.	Not applicable.	Not applicable.
Total	Not applicable.	Not applicable.	Not applicable.

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None.	None.	None.

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Narcisa M. Villaflor – Vice President and Comptroller	P97,841,835.00*
Joshua L. Castro – Assistant Vice President and Assistant	

Includes compensation of the three Executive Directors of the Company.

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions/ Key Responsibilities/ Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)		
Executive	3	1	1	Based on By-Laws	The Executive Committee may act on matters within the competence of the Board, except as specifically limited by law or by the Board Directors.
Audit	1	1	1	Audit Committee Charter	The Audit Committee is formed to assist the Board in the performance of its oversight responsibility for (1) financial reporting process of the company; (2) risk management and system of internal controls; (3) audit process; (4) monitoring the compliance with applicable laws, rules and regulatory requirements; and (5) the independence and performance of the company's internal and external audits. The Audit Committee shall: a. Review and reassess the adequacy of the Audit Committee Charter annually and recommend any proposed changes to the Board for approval. b. Provide oversight of financial reporting and disclosures which include the following: -appropriateness of accounting policies adopted by Management - reasonableness of estimates, assumptions, and judgments used in the FS preparation - identification of material errors and fraud, and sufficiency of risk controls - actions or measures in case of finding of error or fraud in financial reporting - review of unusual or complex transactions including all related party trans actions - assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures - review and approval of mgt representation

					letter before submission to external auditor - communication with legal counsel covering litigation, claims, contingencies or other significant legal issues - assessment of the correspondence between the company and regulators re FS filings and disclosures - setting a framework for fraud prevention and detection - Business Continuity Plan - evaluation of compliance with the Code of Conduct - qualifications of an internal auditor - review internal audit reports c. Review the annual audited financial statements with the CFO and comptroller, including major issues regarding accounting and auditing principles and practices as well as adequacy of internal controls on asset/fund management. d. Review an analysis made by the CFO and comptroller of financial reporting issues and judgments made in connection with the preparation of the Company's quarterly and yearend financial statements. These issues may include, among others, compliance with existing Philippine Financial Reporting Standards (PFRS). e. Review with the CFO and comptroller problems that the external auditors may have encountered and management letter prepared by the external auditors that arise from the yearly-concluded audit engagement for the Group. f. Review with the CFO and Comptroller exposure drafts by Philippine Financial Reporting Standards Council as they materially impact on the Company's financial statements. g. Review with the CFO on a quarterly basis the investment operating results and with the CFO and Comptroller the quarterly financial reports prior to submission to the SEC and PSE. h. Recommend the fees to be paid to

					the external auditors for audit services as well as fees to other firms for internal audit-related work, if any. i. Evaluate and determine the non-audit work, if any, of the external auditors and review periodically the non audit fee paid to external auditors. The Committee shall disallow any non-audit work that will conflict with the duties of external auditors or may pose a threat to external auditors' independence. The non-audit work, if allowed should be disclosed in the Company's SEC Report 17-A. j. Meet with the external auditors prior to the audit to review planning and scope of audit work. k. Recommend to the Board either to replace the engagement partner from the same auditing firm as prescribed on a rotation basis by the SEC or to replace the external auditors, if necessary. l. Review with the Company's lawyers legal matters that may have a material impact on the financial statements, the Company's compliance with laws, rules and requirements of regulatory agencies and any material reports or inquiries received from regulators or government agencies. m. Organize an internal audit department or consider the appointment of an independent internal auditor, if necessary, and the terms and conditions of its engagement. n. Review the annual internal audit plan (scope, resources and budgetary cost) to ensure its conformity with the objectives of the Company. o. Evaluate the adequacy and effectiveness of the company's internal control system, including controls related to financial reporting and information technology security. p. Assess the Audit Committee performance annually through a self assessment worksheet as shown in Annex "A". In rating its overall level of compliance, the following shall apply:

					Poor 1 to 3 Satisfactory 4 to 6 Very Satisfactory 7 to 8 Outstanding 9 to 10 The results of such assessment will be validated by the Company's compliance officer. The Committee will receive comments from management, internal auditor, general counsel and external auditors, with the end view of improving the Committee's performance. The entire assessment process should be documented and forms part of the Company's records.
Nomination	3	1	2	No Charter.	Review nominations for Directors of the Company.
Remuneration	2		1	No Charter.	To establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and business environment in which it operates.
Investment Committee	3	1		Investment Policy Charter for Liquid Funds	Review and approve investments of the Company in financial assets.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2016	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Andres Soriano III	April 1999	4	4	100%	17 years
Member (ED)	Eduardo J. Soriano	April 1999	4	4	100%	17 years
Member (NED)	Ernest K. Cuyegkeng	April 2007	4	4	100%	9 years
Member (ID)	Oscar J. Hilado	April 1999	4	4	100%	17 years
Member (ED)	Jose C. Ibazeta	April 2006	4	4	100%	10 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2016	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Oscar J. Hilado	April 2003	2	2	100%	13 years
Member (ED)	Eduardo J. Soriano	April 2003	2	2	100%	13 years
Member (NED)	Jose C. Ibazeta	April 2004	2	2	100%	12 years

Disclose the profile or qualifications of the Audit Committee members.

OSCAR J. HILADO, age 79, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Chairman of Phinma Energy Corporation (April 2008 to present); Vice Chairman of Trans Asia Petroleum Corporation (April 2013 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Independent Director of First Philippine Holdings Corporation (November 1996 to present), Philex Mining Corporation (December 2009 to present); Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), Smart Communications, Inc., (May 2013 to present); Rockwell Land Corporation (May 2015 to present) and Roxas Holdings, Inc. (March 2016 to present). Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company.

EDUARDO J. SORIANO, age 62, Filipino, Director of the Company since 21 May 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman of Anscor Holdings, Inc. (2012 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

JOSE C. IBAZETA, age 74, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), AG&P International Holdings, Ltd. (December 2014 to present), ICTSI Ltd, and ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968), MBA in Banking and Finance, New York University (1972).

Describe the Audit Committee's responsibility relative to the external auditor.

In relation to the external auditor, the Audit Committee shall:

a. Review with the CFO and Comptroller problems that the external auditors may have encountered and management letter prepared by the external auditors that arise from the yearly-concluded audit engagement for the Group.

b. Recommend the fees to be paid to the external auditors for audit services as well as fees to other firms for internal audit-related work, if any.

c. Evaluate and determine the non-audit work, if any, of the external auditors and review periodically the non audit fee paid to external auditors. The Committee shall disallow any non-audit work that will conflict with the duties of external auditors or may pose a threat to external auditors' independence. The non-audit work, if allowed should be disclosed in the Company's SEC Report 17-A.

d. Meet with the external auditors prior to the audit to review planning and scope of audit work.

e. Recommend to the Board either to replace the engagement partner from the same auditing firm as prescribed on a rotation basis by the SEC or to replace the external auditors, if necessary.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2016	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Eduardo J. Soriano	April 2015	1	1	100%	1 year
Member (NED)	Oscar J. Hilado	April 2015	1	1	100%	1 year
Member (NED)	Roberto R. Romulo	April 2015	1	1	100%	1 year

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2016	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Oscar J. Hilado	April 2003	1	1	100%	13 years
Member (ED)	Andres Soriano III	April 2003	1	1	100%	13 years
Member (ED)	Eduardo J. Soriano	April 2003	1	1	100%	13 years

(e) Others (Specify) – Investment Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held for **2016**	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Andres Soriano III	April 2003	4	4	100%	13 years
Member (ED)	Eduardo J. Soriano	April 2003	4	4	100%	13 years
Member (ED)	Ernest K. Cuyegkeng	April 2003	4	4	100%	13 years
Member (NED)	Jose C. Ibazeta	April 2004	4	4	100%	12 years

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None.	None.
Audit	None.	None.
Nomination	None.	None.
Remuneration	None.	None.
Investment Committee	None.	None.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Review and approval of investments in operating companies.	Favorable returns to the Company.
Audit	Review of Accounting, Tax and Internal Control Issues.	No material issues.
Nomination	Review nominations for Directors of the Company.	No material issues.
Remuneration	Review and approve salary increase and bonus distribution based on industry standards.	Comparability with industry standards.

Investment	Review and approval of investments in financial assets.	Favorable returns to the Company and reaction to Philippine stock market conditions.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Review and approval of investments in operating companies.	Favorable returns to the Company.
Audit	Review of Accounting, Tax and Internal Control Issues.	No material issues.
Nomination	Not applicable.	Not applicable.
Remuneration	Review and approve salary increase and bonus distribution based on industry standards.	Comparability with industry standards.
Investment	Review and approval of investments in financial assets.	Favorable returns to the Company and reaction to Philippine stock market conditions.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's investment objectives consist mainly of:

i. maintaining a bond portfolio that earns adequate cash yields, and
ii. 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, foreign currency risk, and equity price risk. These risks are monitored by the Company's Investment Committee.

The Investment Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The BOD reviews and approves the Company's risk management policies.

(c) Period covered by the review;

Review would cover the period January to December.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The review is conducted annually and based on main risks identified, i.e., credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit risk	The Company transacts only with recognized and creditworthy counterparties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign equity funds are made in mutual funds and/or hedge funds with investments in A-rated companies with good dividend track record as well as capital appreciation.	Preservation of capital.
Liquidity risk	Invest in highly liquid investments yielding good returns. Where applicable, long-term debt or equity are used for financing when the business requirement call for it to ensure adequate liquidity in the subsidiaries and affiliates' operations.	Ensure that the Company will always have sufficient liquidity to meet its liabilities when they are due.
Market risks (interest rate risk, foreign currency risk, equity price risk)	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 the US dollar and the Euro. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.	Manage and minimize market risks.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Same as Company risks.	Same as Company policy.	Same as Company objectives.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Minimal.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	**Risk Assessment (Monitoring and Measurement Process)**	**Risk Management and Control (Structures, Procedures, Actions Taken)**
Credit risk	Carrying amounts of assets represent maximum credit exposure. Credit quality is monitored and managed using internal credit ratings. Credit quality is evaluated 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.	Capital risk is reviewed and monitored by the Investment Committee.
Liquidity risk	This involves monitoring the maturity profile of the Company's financial liabilities and financial assets used for liquidity management.	The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liability when they are due. This is done by primarily investing in highly liquid investments. Liquidity risk is reviewed and monitored by the Investment Committee.
Market risks (interest rate risk, foreign currency risk, equity price risk)	Market risks are monitored and measured through sensitivity analyses.	Market risks are reviewed and monitored by the Investment Committee.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	**Risk Assessment (Monitoring and Measurement Process)**	**Risk Management and Control (Structures, Procedures, Actions Taken)**
Same as risk exposure for Company.	Same as risk assessment for Company.	Same as risk management and control for Company.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
CFO	Monitor and review risks based on Company's monitoring and measurement process.	Make initial recommendation to the Investment Committee.
Investment Committee	Monitor and review risks based on Company's monitoring and measurement process.	Report findings and recommendations to the Board of Directors.
Board of Directors	Evaluate findings and recommendations of the Investment Committee.	Review risk management policies of the Company.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

In line with the nature of business and size of the Company, internal control is included in the audit scope of external auditor's review of the internal control processes of the Company.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board through the Audit Committee reviews the effectiveness of the internal control system and considers them as adequate and effective. The external auditors provide the Chairman or President and Head of Audit Committee of the Company and its subsidiaries with any internal control breakdown or possible non-compliance with internal control procedures. The Audit Committee report its findings to the Board of Directors.

(c) Period covered by the review;

One year.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The review is conducted annually and criteria used would include materiality and frequency of internal control breakdown or possible non-compliance with internal control procedures.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Owing to the nature of business and the size of the Company in terms of number of employees limited internal audit function is included in the audit scope of the external auditor.	Review for breakdown or possible non-compliance.	Outsourced.	SGV & Co.	Findings are reported to Chairman and/or President and Heads of the Audit Committee of the Company and its subsidiaries.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. Based on the Audit Committee Charter, the Audit Committee may organize an internal audit department or consider the appointment of an independent internal auditor, if necessary, and the terms and conditions of its engagement. Further, one of the functions of the Audit Committee is to review the annual internal audit plan (scope, resources and budgetary cost) to ensure its conformity with the objectives of the Company.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Findings are reported directly to the Chairman and/or President and Heads of the Audit Committee of the Company and its respective subsidiaries. Yes, the external auditor performing internal audit have direct and unfettered access to the board of directors and the Audit Committee and all record, properties and personnel of the Company.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
None.	Not applicable.
None.	Not applicable.
None.	Not applicable.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Internal audit review is included in the audit scope of the external auditor in reviewing the internal control processes of the Company and its subsidiaries and reviewed by the Audit Committee.
Issues[6]	
Findings[7]	
Examination Trends	

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal audit review is included in the audit scope of the external auditor in reviewing the internal control processes of the Company and its subsidiaries.	Same.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Company only engages reputable external auditors with proven track record.	The Company only engages reputable financial analysts with proven track record.	The Company only engages reputable investment banks with proven track record.	The Company only engages reputable rating agencies with proven track record.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Signatories to the Certificate on Compliance with the SEC Code of Corporate Governance are the Chairman and CEO and the Compliance Officer.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Supplier/contractor selection practice	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Environmentally friendly value-chain	Handled by the Company's separate social responsibility arm, Andres Soriano Foundation.	The Andres Soriano Foundation has a separate Annual Report.
Community interaction	Handled by the Company's separate social responsibility arm, Andres Soriano Foundation.	The Andres Soriano Foundation has a separate Annual Report.
Anti-corruption programmes and procedures?	The Company does not engage in corrupt practices.	
Safeguarding creditors' rights	It is the Company's policy to fully settle all its liabilities when they become due.	Long and short term loans with banks.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, the Company has a separate corporate responsibility report by its Foundation, the Andres Soriano Foundation.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company gives paramount importance to its employees' safety, health and welfare. As such, the Company maintains a safe working environment and reasonable working hours to all its employees. Above average health and medical benefits are provided. Recreational activities to promote camaraderie and employees welfare are also conducted.

(b) Show data relating to health, safety and welfare of its employees.

So far, no major health, safety and welfare issues concerning employees.

(c) State the company's training and development programmes for its employees. Show the data.

Conducted on as needed basis. Further, Finance and Legal personnel attend regular seminars on updates and new developments in their respective fields.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company provides vacation and sick leave entitlements, group accident insurance, medical and hospitalization benefits, bereavement benefit, paternity leave, rice subsidy, educational assistance, Christmas gift certificates, eyeglasses reimbursement, death benefit, loan facilities, retirement benefits, and salary increases/bonuses depending on results of operations to all employees.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Company has a Labor-Management Council which handles employee complaints. These complaints are treated confidentially. As an alternative, employees may directly file complaints to Management. These are also treated confidentially.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of February 28, 2016)

Shareholder	Number of Shares	Percent	Beneficial Owner
Anscor Consolidated Corp.	1,278,192,746	51.128%	Anscor Consolidated Corp.
PCD Nominee Corp. (Non-Filipino)*	516,912,611	20.677%	PCD Nominee Corp. (Non-Filipino)
A-Z Asia Limited Phils., Inc. **	169,646,329	6.786%	A-Z Asia Limited Phils. ,Inc.
PCD Nominee Corp. (Filipino)	130,317,409	5.213%	PCD Nominee Corp. (Filipino)

**PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which MayBank ATR Kim Eng Securities, Inc., represented by Nilaida Enriquez, is the sole owner of more than 5%, specifically 33.315%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.*

***A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines on April 25, 2003 represented by Mr. Raul Balaquiao as its Corporate Secretary.*

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andres Soriano III	50,490,265	438,938,005	19.58%
Eduardo J. Soriano	20,000	188,495,944	7.54%
Ernest K. Cuyegkeng	20,000	-	0.00%

2) Does the Annual Report disclose the following:

Key risks	Yes.
Corporate objectives	Yes.
Financial performance indicators	Yes.
Non-financial performance indicators	Yes.
Dividend policy	Yes.
Details of whistle-blowing policy	No, but incorporated in the function of the Audit Committee.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes.
Training and/or continuing education programme attended by each director/commissioner	No, as this not one of the information required to be included in the Annual Report. However, a newly appointed Director separately submits to the SEC his attendance to a corporate governance seminar.

Number of board of directors/commissioners meetings held during the year	No, as this not one of the information required to be included in the Annual Report. However, a certification on the attendance of directors is submitted annually by the Company to the SEC.
Attendance details of each director/commissioner in respect of meetings held	No, as this not one of the information required to be included in the Annual Report. However, a certification on the attendance of directors is submitted annually by the Company to the SEC.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee (Year 2015)

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co.	P1,155,000.00	None

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Printed copies of Annual Report and Information Statement provided to all stockholders of record.
- The Company maintains a website which includes downloadable Company reports.
- Timely disclosures to PSE which can be accessed through the PSE website.
- The Company has a Stock Relations Manager who handles stockholder inquiries.

5) Date of release of audited financial report:

March 29, 2016

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes.
Financial statements/reports (current and prior years)	Yes.
Materials provided in briefings to analysts and media	Yes.
Shareholding structure	Yes.
Group corporate structure	Yes.
Downloadable annual report	Yes.
Notice of AGM and/or EGM	Yes.
Company's constitution (company's by-laws, memorandum and articles of association)	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of Related Party Transaction (RPT)

RPT	Relationship	Nature	Value
None.	Not applicable.	Not applicable.	Not applicable.
None.	Not applicable.	Not applicable.	Not applicable.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

As reported in the Company's Information Statement duly filed with the SEC, the Company does not have any related party transaction except to the extent that inter-company receivables and payables are permissible.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	50% plus one share of the outstanding stock.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Stockholders approval during Annual Stockholders Meeting
Description	The Company secures Stockholders' approval for all matters required to be approved by the Stockholders under the Corporation Code, as amended. Further, as a matter of policy, the Company secures ratification of all acts and resolutions of the Board of Directors by the Stockholders.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
No difference from those laid down in the Corporation Code.	No difference from those laid down in the Corporation Code.

Dividends

Declaration Date	Record Date	Payment Date
March 2, 2016 (P0.25 per share)	March 21, 2016	April 20, 2016

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion

the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notices of Agenda of the Stockholders' Meeting are provided to all stockholders in advance.	There is an open forum, where any stockholder is free to ask questions to the Board of Directors.
Copies of Annual Report and Information Statement are provided to all stockholders in advance.	Stockholder may ask during open forum any matter concerning the Annual Report and/or Information Statement.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution - The Company secures approval from the Stockholders in case of amendments to the Articles of Incorporation and By-Laws. Advance notice of the amendments is provided to the Stockholders.

   b. Authorization of additional shares – Not applicable but if this happens the Company will follow the procedure for securing stockholders' approval for amendment of Articles of Incorporation.

   c. Transfer of all or substantially all assets, which in effect results in the sale of the company – Not applicable as the Company is an on-going concern and does not have any plan to transfer all or substantially all of its assets.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **YES**

   a. Date of sending out notices**: March 29, 2016**

   b. Date of the Annual/Special Stockholders' Meeting: **April 20, 2016**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. - There are only minimal questions by stockholders during Annual Stockholders Meeting. But in addition to the open forum, some stockholders do take the opportunity to ask questions privately to Company officials after the Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Election of Directors	Unanimous.	None.	None.
Appointment of External Auditor	Unanimous.	None.	None.
Ratification of all acts, contracts and resolutions of Management and the Board of Directors since the last annual meeting of the Corporation.	Unanimous.	None.	None.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

   Results of the Annual Stockholders' Meeting are immediately disclosed to the PSE and SEC.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	
None.	
None.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Andres Soriano III Eduardo J. Soriano Ernest K. Cuyegkeng John Gokongwei, Jr. Oscar J. Hilado Jose C. Ibazeta Roberto R. Romulo	April 20, 2016	Unanimous consent.	0.02%	89.64%	89.66%
Special	None.	None.	None.	None.	None.	None.

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

There is no need to appoint an independent party to count and/or validate votes since the number of directors nominated are equal to the numbers of directors to be elected.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. **YES**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The proxies must be properly dated and executed (signed).
Notary	Proxies need not be notarized.
Submission of Proxy	Must be submitted not less than 10 working days prior to the date of the Annual Stockholders' Meeting.
Several Proxies	A stockholder giving a proxy has the power to revoke it at any time prior to the Annual Meeting or by giving a subsequent proxy which must be received on the deadline for submission of proxy.
Validity of Proxy	Proxies are valid until revoked.
Proxies executed abroad	All proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	An invalidated proxy is not counted for purposes of quorum and voting.

Validation of Proxy	Validation of proxies is conducted not less than 5 days prior to the scheduled Annual Meeting.
Violation of Proxy	All valid proxies are counted for purposes of quorum and voting while all invalid proxies are not considered.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notices of Annual Stockholders' Meeting are sent to stockholders of record at least 21 business days prior to the scheduled Annual Meeting.	Notices are sent to stockholders by courier/mail.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	11,297
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 29, 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 29, 2016
State whether CD format or hard copies were distributed	CD format were distributed but during the Annual Meeting, stockholders attending in person were also provided with the hard copies in addition to the CD sent to them by mail.
If yes, indicate whether requesting stockholders were provided hard copies	Yes, stockholders are provided with hard copies upon request.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes.
The auditors to be appointed or re-appointed.	Yes.
An explanation of the dividend policy, if any dividend is to be declared.	No, because dividends are not announced in advance but in a separate disclosure to the PSE and SEC.
The amount payable for final dividends.	No, because dividends are not announced in advance but in a separate disclosure to the PSE and SEC.
Documents required for proxy vote.	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Dissenter's Right of Appraisal	Dissenter's Right of Appraisal is communicated to all stockholders as this is specifically included in the Information Statement distributed to all stockholders.

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes, every stockholder has a right to nominate candidates for directors.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Major announcement of the Company and press releases need approval of the CFO and the Chairman & CEO.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To fully inform stockholders of the financial status of the Company.
(2) Principles	The Company promotes transparency to stockholders.
(3) Modes of Communications	The Company maintains a website with up to date information. Moreover, stockholders may freely call during office hours the Company's Stock Relations Manager for any inquiries.
(4) Investors Relations Officer	Rosalina M. Reyes, Tel No. 819-0251, Fax No. 811-5068, rose.reyes@anscor.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Investment Committee and/or the Executive Committee reviews all planned acquisition of the Company following the investment policy of the Company. Investments of the Company are approved by the Board of Directors.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company engages advisors on the basis of their expertise and depends on the nature of the industry where the investment is to be made. The determination of which advisor to engage is made at the time that the investment is proposed and not in advance. Prior to approval by the Board, the proposed transaction is presented to the Independent Directors for evaluation.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
The Company has a separate social responsibility arm, specifically, the Andres Soriano Foundation. The Foundation maintains a separate website where all its initiatives are reported. **Main initiatives are:**	
1**. Small Island Sustainable Development Program (SISDEP).** **a. Environment Protection and Management** **b. Livelihood Assistance Program** **c. Community-Based Health Program** **d. Education Program**	**Small Island Communities, Northern Palawan (Cuyo, Agutaya, Magsaysay Municipalities)** • **Fisher folk households** • **Women, Children, Students and Out-of-School Youth**
2. Cancer Care Program **a. Research & Training/Education** **b. Assistance to Cancer Institute (Facilities Maintenance/Rehabilitation Activities)**	**Oncology Practitioners, Cancer Support groups, Key Leaders of Communities, Indigent Cancer Patients**
3. Disaster Assistance Program **a. Emergency Relief Assistance** **b. Rehabilitation Efforts**	**Disaster-stricken communities**

The Company, through its Corporate Social Responsibility arm, the Andres Soriano Foundation, Inc. (ASF) continues to undertake community-development programs in the isolated and disadvantaged areas of North-eastern Palawan, and also offers various forms of aid and comfort to cancer patients and victims of natural disasters in partnership with its many partners and donors.

<u>Small Island Sustainable Development Program</u>

The Foundation’s Coastal Resource Management Project supports 12 marine sanctuaries.

The Foundation’s yearly Health Caravan provided 2,533 medical services to 2,125 patients, and supported 385 malnourished children.

Its community-based Tuberculosis Directly Observed Treatment Short Course project began full operation in 2014. These health initiatives were supported by the SHARE Foundation of Portugal, a long time donor.

A birthing clinic in Cocoro Island, Municipality of Magsaysay, was built in partnership with the Zuellig Family Foundation.

ASF built and/or renovated 5 classroom buildings in addition to six pre-school classrooms for public elementary schools and six rehabilitated Day Care Centers from prior years. It is also supervising three pre-school centers on islands without public schools this school term.

An ASF full academic scholar from Manamoc Island graduated in April 2014 with a degree in Accountancy. Fourteen technical-vocational scholars completed the six-month technical-vocational course at Dual-Tech in Laguna and started their on-the-job training.

In partnership with Solar Energy Foundation, ASF received 250 units of solar lamps and four units of solar suitcases for health stations and birthing clinics.

ASF's livelihood programs *helped victims of Typhoon Yolanda* set up 69 micro-enterprises *on* Quiniluban Island. A partnership with local-based resort by the Manamoc Livelihood Association generated P4.5 million in the sale of local products, 11% better than last year's performance, benefitting more than 300 families.

Cancer Care Program

In ASF's specialized oncology-nursing course, 22 registered and full-time duty nurses sent by six hospitals in the Western Visayas are officially enrolled in the course's pilot implementation.

In partnership with the Philippine General Hospital Cancer Institute, the Foundation continues to provide maintenance chemotherapy medicines for 45 indigent breast-cancer patients.

Disaster Relief and Rehabilitation Activities

For Typhoon Yolanda relief and rehabilitation efforts, ASF received nearly P10.0 million in cash and in-kind donations. More than 3,090 relief packs were distributed to Barangays Algeciras, Concepcion and Manamoc.

Also, ASF provided more than 200 GI sheets to residents with partially-damaged houses and school buildings in these barangays. In addition, the Foundation built 300 core shelter units for indigent families whose houses were totally-damaged, distributing construction materials with the beneficiaries providing labor. All units were completed and turned over in November 2014.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self-assessment.	Attendance and participation in the deliberations during Board meetings.
Board Committees	Assessment by Board of Directors	Attendance and participation in the deliberations during Board meetings.
Individual Directors	Assessment by the Chairman.	Attendance and participation in the deliberations during Board meetings.
CEO/President	Assessment by the Board of Directors.	Policy direction and financial performance of the Company.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Minor – If the offense involves an infraction of a rule/procedure rather than of a moral precept, or represents more of an omission or an oversight than a positive wrongdoing; or represents a mistake rather than a malicious intent. Moderate – If the offense implies an act of negligence or a disregard for established rules of conduct or involves either repeated violations within a relatively short time of what otherwise would be classified as minor offenses.	Action taken by Labor-Management Council may include the following in order of severity: 1. Admonishment/Verbal Reprimand 2. Written Reprimand 3. Suspension 4. Involuntary Separation

Major – If the offense involves gross negligence or what is generally regarded as a substantial matter (e.g., sums of money, confidential information, etc.)or if it will result to public scandal and consequent loss of confidence (e.g., dishonesty, habitual drunkenness, immorality) or is maliciously intended or deliberately planned (whether the intended harm is achieved or not); or results in financial loss, embarrassment for the Company, or seriously undermines duly constituted authority.	

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 2 8 JUN 2013 2013.

SIGNATURES

ANDRES SORIANO III
Chairman of the Board & Chief Executive Officer

OSCAR J. HILADO
Independent Director

ROBERTO R. ROMULO
Independent Director

ATTY. JOSHUA L. CASTRO
Compliance Officer

SUBSCRIBED AND SWORN to before me this 2 8 JUN 2013 day of __________ 2013, affiant(s) exhibiting to me their passport details, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
ANDRES SORIANO III	711786600	AUGUST 11, 2005	U. S. A.
OSCAR J. HILADO	XX4476833	SEPTEMBER 17, 2009	MANILA
ROBERTO R. ROMULO	EB7472105	FEBRUARY 25, 2013	MANILA
JOSHUA L. CASTRO	XX5562947	FEBRUARY 19, 2010	MANILA

REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
NOTARY PUBLIC
Appointment No. M-292; Roll No. 20642
Commission Expires on 12-31-14
PTR No. 3673104; 1-04-13; Makati City
IBP No. 920701; 1-04-13; Pasig City
TIN No. 100-364-501

Doc No. 400
Page No. 81
Book No. X
Series of 2013

COVER SHEET

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SEC Registration Number

A . S O R I A N O   C O R P O R A T I O N

(Company's Full Name)

7/F PACIFIC STAR BUILDING
GIL J. PUYAT AVENUE COR. MAKATI AVE.
MAKATI CITY

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

ATTY. JOSHUA L. CASTRO
(Contact Person)

819-0251
(Company Telephone Number)

1 2 *Month* **3 1** *Day*
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

11,297
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. March 2, 2016
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

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

1200
Postal Code

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

9. N/A
Former name or former address, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9 - Other Event

Item 9. Other Event

a. Date of Stockholders' Meeting, Record Date and Proxy Validation Date

At the regular meeting of the Board of Directors held on March 2, 2016, the following matters were approved:

1. Date of Stockholders' Meeting - **April 20, 2016**
2. Record Date - **March 21, 2016**
3. Proxy Validation Date - **April 12, 2016**

The Stockholders' Meeting will be held at 10:00 A.M. at the Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, Makati City. The proposed agenda for the Stockholders' Meeting are:

1. Approval of the minutes of previous meeting
2. Presentation of the Chairman and Chief Executive Officer's Message to Stockholders
3. Election of the members of the Board of Directors
4. Appointment of external auditors
5. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting
6. Such other business as may properly come before the meeting

b. Declaration of Cash Dividends

The Board of Directors of A. Soriano Corporation (Anscor), in its meeting held today, March 2, 2016, approved a cash dividend of Twenty Centavos (P.20) per share payable on April 20, 2016 to all stockholders of record as of March 23, 2016.

SIGNATURE

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 hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

March 2, 2016

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. April 20, 2016
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2   3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

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

1200
Postal Code

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

9. N/A
Former name or former address, if changed since last report

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

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item Nos. 4 and 9

Item No. 4 - Resignations, Removal or Election of Registrant's Directors and Officers

At the annual meeting of stockholders of A. Soriano Corporation held on April 20, 2016, the following were elected directors:

1. Mr. Andres Soriano III
2. Mr. Eduardo J. Soriano
3. Mr. Ernest K. Cuyegkeng
4. Mr. Jose C. Ibazeta
5. Mr. John L. Gokongwei Jr.
6. Mr. Oscar J. Hilado
7. Mr. Roberto R. Romulo

Messrs. Oscar J. Hilado and Roberto R. Romulo are independent directors.

At the organizational meeting of the Board of Directors also held on April 20, 2016, the following were appointed executive officers:

Mr. Andres Soriano III	-	Chairman and CEO; President and COO
Mr. Eduardo J. Soriano	-	Vice Chairman & Treasurer
Mr. Ernest K. Cuyegkeng	-	Executive Vice President & Chief Financial Officer
Mr. William H. Ottiger	-	Corporate Development Officer
Ms. Narcisa M. Villaflor	-	Vice President & Comptroller
Atty. Lorna Patajo-Kapunan	-	Corporate Secretary
Atty. Joshua L. Castro	-	Assistant Vice President & Assistant Corporate Secretary

And the following were appointed members of the Audit Committee, Compensation Committee, Executive Committee, and Nomination Committee respectively:

Audit Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

Compensation Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Eduardo J. Soriano	Member

Executive Committee:

Mr. Andres Soriano III	Chairman
Mr. Eduardo J. Soriano	Vice Chairman
Mr. Oscar J. Hilado	Member
Mr. Ernest K. Cuyegkeng	Member
Mr. Jose C. Ibazeta	Member

Nomination Committee:

Mr. Eduardo J. Soriano	Chairman
Mr. Oscar J. Hilado	Member
Mr. Roberto R. Romulo	Member

Item No. 9 - Other Event

At the stockholders meeting held on April 20, 2016, Sycip Gorres Velayo & Co. was reappointed as the Corporation's External Auditor.

SIGNATURE

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 hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

April 20, 2016

COVER SHEET

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SEC Registration Number

A . S O R I A N O   C O R P O R A T I O N

(Company's Full Name)

7/F PACIFIC STAR BUILDING
GIL J. PUYAT AVENUE COR. MAKATI AVE.
MAKATI CITY

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

ATTY. JOSHUA L. CASTRO

(Contact Person)

819-0251

(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

17-C

(Form Type)

3rd Wednesday of April

Month *Day*
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. July 5, 2016
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2   3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
   Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code

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

   1200
   Postal Code

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

9. N/A
   Former name or former address, if changed since last report

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

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item No. 9 Other Event (Acquisition of Additional 34,498 shares in KSA Realty Corporation)

A. Soriano Corporation ("Anscor") acquired 34,498 additional shares in KSA Realty Corporation ("KSA"), owner of The Enterprise Center located at Ayala Avenue, Makati City from Ocmador Philippines, B.V. The transaction documents were signed on June 15, 2016 but the final price was determined today in the total amount of P236,486,465.00. With the additional acquisition, the shareholdings of Anscor will increase from the present 11% to about 14.28% of the total outstanding shares of stock of KSA.

SIGNATURE

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 hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

July 5, 2016