

# COVER SHEET

for  
SEC FORM 17- Q

SEC Registration Number

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COMPANY NAME

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

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

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

Form Type

1	7	-	Q	
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

	N	A	
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## COMPANY INFORMATION

Company's Email Address

info@anscor.com.ph

Company's Telephone Number/s

819-0251

Mobile Number

N/A

No. of Stockholders

11,316

Annual Meeting  
Month/Day

Third Wednesday of April

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Narcisa M. Villaflor

Email Address

nancievillaflor1029@gmail.com

Telephone Number/s

819-0251

Mobile Number

N/A

## CONTACT PERSON'S ADDRESS

7<sup>TH</sup> 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

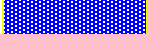
1. For the quarterly period ended September 30, 2017
2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

#### A. SORIANO CORPORATION

4. Exact name of issuer as specified in its charter

Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

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

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

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
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<u>Common</u>	<u>2,500,000.000</u>
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [ x ] No [ ]

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

<u>Philippine Stock Exchange</u>	<u>Common</u>
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12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☐ No ☒

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

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

Please see SEC FORM 17-Q - Table of Contents

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

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

Please see SEC FORM 17-Q - Table of Contents

## PART II – OTHER INFORMATION

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

## SIGNATURES

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

Issuer: A. SORIANO CORPORATION

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

Date: November 16, 2017

Principal Financial/Accounting Officer/Controller:  
Signature and Title

  
(Sgd.) NARCISA M. VILLAFLORES  
VP - Comptroller

Date: November 16, 2017

## A. SORIANO CORPORATION

### CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	September 30	December 31
	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,761,385	2,403,740
Fair value through profit and loss (FVPL) investments	670,018	769,680
Receivables	2,335,825	2,167,502
Inventories	1,028,669	683,917
Property development in progress	3,177	3,177
Available-for-sale (AFS) investments - current	63,202	47,729
Prepayments	57,680	18,677
Other current assets	209,723	151,401
<b>Total Current Assets</b>	<b>6,129,679</b>	<b>6,245,822</b>
<b>Noncurrent Assets</b>		
AFS investments - net of current portion	9,428,095	8,313,497
Investments and advances	2,005,216	1,943,574
Goodwill	1,803,460	1,889,496
Property and equipment	2,650,876	2,648,731
Investment properties	236,447	234,878
Retirement plan asset	59,304	60,191
Deferred tax assets	62,846	62,305
Other noncurrent assets	149,428	129,007
<b>Total Noncurrent Assets</b>	<b>16,395,672</b>	<b>15,281,679</b>
<b>TOTAL ASSETS</b>	<b>22,525,351</b>	<b>21,527,501</b>

### LIABILITIES AND EQUITY

#### Current Liabilities

Notes payable	-	91,948
Accounts payable and accrued expenses	1,045,728	969,799
Dividends payable	239,003	242,208
Income tax payable	76,203	141,745
Current portion of long-term debt	641,757	629,350
<b>Total Current Liabilities</b>	<b>2,002,691</b>	<b>2,075,050</b>

	September 30	December 31
	2017	2016
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion	1,256,017	1,916,231
Deferred revenues	8,376	8,602
Deferred income tax liabilities - net	617,664	600,160
Retirement benefits payable	1,422	4,212
Other noncurrent liabilities	192,600	175,746
<b>Total Noncurrent Liabilities</b>	<b>2,076,079</b>	<b>2,704,951</b>
<b>Total Liabilities</b>	<b>4,078,770</b>	<b>4,780,001</b>
<b>Equity Attributable to Equity Holdings of the Parent</b>		
Capital stock - 1 par value	2,500,000	2,500,000
Additional paid-in capital	1,605,614	1,605,614
Cumulative translation adjustment	455,821	380,244
Equity reserve on acquisition of noncontrolling interest	(26,357)	(26,357)
Unrealized valuation gains on AFS investments	2,791,997	1,899,777
Remeasurement on retirement benefits	37,609	37,609
Retained Earnings		
Appropriated	7,150,000	7,150,000
Unappropriated	5,747,635	4,914,057
Cost of shares held by a subsidiary	(2,322,191)	(2,226,273)
	17,940,127	16,234,671
<b>Noncontrolling interests</b>	<b>506,454</b>	<b>512,829</b>
<b>Total Equity</b>	<b>18,446,581</b>	<b>16,747,500</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>22,525,351</b>	<b>21,527,501</b>

# A. SORIANO CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	2017	2016
<b>REVENUES</b>				
Sales	5,168,803	4,710,898	1,892,508	1,548,474
Services	2,603,165	2,513,165	734,727	834,547
Interest income	70,686	64,575	25,307	21,363
Dividend income	251,496	148,976	78,429	79,658
Management fee	-	7,984	-	1,615
Sale of villa lots	-	635,146	-	342,425
	8,094,150	8,080,743	2,730,972	2,828,082
<b>INVESTMENT GAINS</b>				
Gain on sale of AFS investments	379,435	499,283	124,198	240,419
Gain on increase in market values of FVPL investments	12,701	33,221	1,913	11,922
	392,136	532,505	126,111	252,342
<b>TOTAL</b>	8,486,286	8,613,248	2,857,084	3,080,424
Cost of goods sold/services rendered	(5,960,910)	(5,247,385)	(2,079,283)	(1,782,783)
Operating expenses	(1,065,174)	(947,361)	(303,666)	(291,627)
Interest expense	(71,019)	(80,741)	(24,771)	(25,706)
Valuation allowances - net	(754)	(44,776)	(183)	(705)
Foreign exchange gain (loss)	21,007	(1,886)	9,974	(3,126)
Cost of villa lots	-	(334,973)	-	(188,520)
Other income (charges) - net	(97,709)	3,718	(121,119)	3,946
	(7,174,559)	(6,653,404)	(2,519,049)	(2,288,521)
<b>INCOME BEFORE INCOME TAX</b>	1,311,727	1,959,843	338,035	791,902
<b>PROVISION FOR INCOME TAX - net</b>	202,264	299,369	12,236	99,340
<b>NET INCOME</b>	1,109,463	1,660,475	325,799	692,562
Net Income Attributable to:				
<b>Equity holders of the Parent</b>	1,077,940	1,528,281	336,784	646,117
Noncontrolling interests	31,523	132,194	(10,985)	46,445
	1,109,463	1,660,475	325,799	692,562
<b>Earnings Per Share - basic/diluted, for net income attributable to equity holders of the Parent</b>	0.89	1.24	0.28	0.52

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

(In Thousand Pesos)

	<b>Periods Ended September 30</b>		<b>Quarters Ended September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>1,109,463</b>	<b>1,660,475</b>	<b>325,799</b>	<b>692,562</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized valuation gain (loss) on AFS investments	<b>1,270,679</b>	1,301,370	<b>(277,896)</b>	774,769
Realized gains on sale of AFS investments, net of impairment losses	<b>(379,435)</b>	(499,283)	<b>(124,198)</b>	(240,419)
Unrealized gain on remeasurement of retirement benefits	-	2,434	<b>6,121</b>	-
Cumulative translation adjustment	<b>75,576</b>	97,047	<b>39,556</b>	107,290
Income tax effect	<b>976</b>	5,265	<b>3,806</b>	1,071
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>967,796</b>	906,832	<b>(352,611)</b>	642,711
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>2,077,259</b>	2,567,307	<b>(26,812)</b>	1,335,273

## A. SORIANO CORPORATION

### CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	Attributable to Equity Holders of the Parent										
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on AFS Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Retained Earnings		Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Appropriated							Unappropriated				
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 interests	-	-	-	-	-	-	-	-	-	(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
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	1,899,777	37,609	380,244	7,150,000	4,914,057	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	892,220	-	75,576	-	1,077,940	-	31,523	2,077,259
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(95,918)	-	(95,918)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	(37,898)	(37,898)
Balance at 09/30/2017	2,500,000	1,605,614	(26,357)	2,791,997	37,609	455,821	7,150,000	5,747,635	(2,322,191)	506,454	18,446,581



## A. SORIANO CORPORATION

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	1,311,727	1,959,843	338,035	791,902
Adjustment for:				
Depreciation and amortization	188,919	175,010	63,397	59,179
Write-off of goodwill	103,137	-	103,137	-
Interest expense	71,019	80,741	24,771	25,706
Valuation allowances - net	754	44,776	183	705
Gain on sale of AFS investments	(379,435)	(499,283)	(124,198)	(240,419)
Dividend income	(251,496)	(148,976)	(78,429)	(79,658)
Interest income	(70,686)	(64,575)	(25,307)	(21,363)
Foreign exchange loss (gain) - net	(18,266)	10,283	(2,358)	19,093
Gain on sale of property and equipment	(17,352)	(665)	-	-
Gain on increase in market values of FVPL investments	(12,701)	(33,221)	(1,913)	(11,922)
Operating income before working capital changes	925,620	1,523,933	297,317	543,222
Decrease (increase) in:				
FVPL investments	123,402	(119,465)	31,824	(80,963)
Receivables	(169,077)	(315,329)	(390,356)	(77,158)
Inventories	(344,752)	31,069	(60,123)	(53,531)
Property development in progress	-	172,635	-	114,010
Investment properties	-	2,817	-	1,363
Increase (decrease) in:				
Accounts payable and accrued expenses	75,929	23,743	281,099	155
Retirement benefits payable	(1,902)	5,507	5,363	1,006
Customer' deposit for property development	-	(597,268)	-	(312,770)
Net cash generated from operations	609,220	727,641	165,125	135,334
Dividend received	251,496	148,976	78,429	79,658
Interest received	71,891	64,765	25,817	21,330
Interest paid	(71,019)	(80,741)	(24,771)	(25,706)
Income taxes paid	(255,017)	(194,169)	(3,661)	(57,510)
Net cash flows from operating activities	606,571	666,473	240,941	153,107

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale of :				
AFS investments	2,098,880	1,667,461	587,148	713,236
Property and equipment	19,451	703	201	37
Additions to:				
AFS investments	(1,927,016)	(1,215,101)	(566,384)	(404,165)
Investment properties	(1,569)		(140)	
Property and equipment	(193,163)	(144,536)	(40,366)	(63,246)
Decrease (increase) in:				
Prepayments and other assets	(117,747)	(78,338)	(58,629)	(8,414)
Other noncurrent liabilities	16,853	40,691	(5,168)	13,425
Advances to affiliates	(757)	2,034	(5,681)	1,564
Net cash flows from (used in) investing activities	(105,067)	272,913	(89,020)	252,436
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of long-term debt	(683,627)	(478,168)	(154,945)	(160,855)
Payment of:				
Notes payable	(91,948)	42,802	(45,155)	(140,000)
Dividends	(247,567)	(234,253)	(2,912)	12,265
Purchase of Company shares by a subsidiary	(95,918)	(6,768)	(1)	-
Increase (decrease) in:				
Deferred revenue	(226)	(708)	(355)	(425)
Minority interest	(37,898)	(8,322)	14	60
Net cash flows used in financing activities	(1,157,185)	(685,416)	(203,353)	(288,954)
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>				
	13,326	(355)	10,538	4,910
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(642,355)</b>	<b>253,615</b>	<b>(40,894)</b>	<b>121,499</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,403,740</b>	<b>1,774,319</b>	<b>1,802,279</b>	<b>1,906,435</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,761,385</b>	<b>2,027,934</b>	<b>1,761,385</b>	<b>2,027,934</b>

**A. SORIANO CORPORATION**  
**PARENT COMPANY BALANCE SHEETS**

(In Thousand Pesos)

	September 30	December 31
	2017	2016
<b>ASSETS</b>		
Cash and Cash Equivalents	828,358	836,979
Fair Value through Profit and Loss (FVPL)		
Investments	670,018	769,680
Available for Sale (AFS) Investments	8,974,844	8,037,467
Receivables - net	213,953	160,642
Investments and Advances- net	7,973,211	7,872,221
Property and Equipment - net	22,943	23,922
Retirement Plan Asset	51,022	51,022
Other Assets	773	844
<b>TOTAL ASSETS</b>	<b>18,735,122</b>	<b>17,752,778</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	193,754	42,063
Dividends Payable	239,003	241,914
Long-term Debt	1,149,143	1,566,180
Deferred Income Tax Liabilities - net	69,465	60,130
<b>Total Liabilities</b>	<b>1,651,364</b>	<b>1,910,288</b>
<b>Equity</b>		
Capital Stock - 1 Par Value	2,500,000	2,500,000
Additional Paid-in Capital	1,589,800	1,589,800
Unrealized Valuation Gains on AFS Investments	2,753,069	1,861,617
Remeasurement on Retirement Benefits	28,451	28,451
Retained Earnings		
Appropriated	7,150,000	7,150,000
Unappropriated	3,062,439	2,712,623
<b>Total Equity</b>	<b>17,083,758</b>	<b>15,842,490</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18,735,122</b>	<b>17,752,778</b>

**A. SORIANO CORPORATION****PARENT COMPANY STATEMENTS OF INCOME**

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	2017	2016
<b>REVENUE</b>				
Dividend income	520,312	403,831	78,286	79,658
Interest income	64,291	59,920	21,419	20,428
Management fees	50,549	65,514	19,175	22,416
	635,153	529,265	118,880	122,503
<b>INVESTMENT GAINS</b>				
Gain on sale of AFS investments	379,435	498,677	124,198	240,327
Gains on increase in market values of FVPL investments	12,701	32,640	1,913	11,743
	392,136	531,317	126,111	252,070
	1,027,288	1,060,582	244,991	374,573
Operating expenses	(166,831)	( 143,803)	(29,046)	(27,689)
Interest expense	(35,832)	( 41,491)	(11,878)	(13,908)
Foreign exchange gain (loss)	19,041	( 924)	9,518	(3,236)
Others - net	17,923	12,059	359	64
	(165,700)	( 174,159)	(31,047)	(44,769)
<b>INCOME BEFORE INCOME TAX</b>	861,588	886,423	213,944	329,804
<b>PROVISION FOR INCOME TAX - NET</b>	11,772	12,028	2,142	4,988
<b>NET INCOME</b>	849,816	874,395	211,802	324,816
 <b>Earnings Per Share - basic/diluted</b>	 0.34	 0.35	 0.08	 0.13

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	2017	2016
<b>NET INCOME FOR THE PERIOD</b>	<b>849,816</b>	874,395	<b>211,802</b>	324,816
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized valuation gain (loss) on AFS investments	<b>1,269,912</b>	1,310,479	<b>(277,482)</b>	776,546
Realized gains on sale of AFS investments, net of impairment losses	<b>(379,435)</b>	(498,677)	<b>(124,198)</b>	(240,327)
Income Tax Effect	<b>976</b>	(6,671)	<b>3,476</b>	(1,517)
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>891,452</b>	805,131	<b>(398,203)</b>	534,702
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>1,741,268</b>	1,679,526	<b>(186,401)</b>	859,518

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings		Total
					Appropriated	Unappropriated	
Balance at 12/31/2015	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)
<b>Balance at 09/30/2016</b>	<b>2,500,000</b>	<b>1,589,800</b>	<b>1,454,390</b>	<b>32,505</b>	<b>6,400,000</b>	<b>3,332,787</b>	<b>15,309,482</b>
Balance at 12/31/2016	2,500,000	1,589,800	1,861,617	28,451	7,150,000	2,712,623	15,842,490
Comprehensive income	-	-	891,452	-	-	849,816	1,741,268
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
<b>Balance at 09/30/2017</b>	<b>2,500,000</b>	<b>1,589,800</b>	<b>2,753,069</b>	<b>28,451</b>	<b>7,150,000</b>	<b>3,062,438</b>	<b>17,083,758</b>

**A. SORIANO CORPORATION****PARENT COMPANY STATEMENTS OF CASH FLOWS**

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before tax	<b>861,588</b>	886,423	<b>213,944</b>	329,804
Adjustment for:				
Interest expense	<b>35,832</b>	41,491	<b>11,878</b>	13,908
Depreciation and amortization	<b>6,578</b>	6,064	<b>2,395</b>	2,379
Dividend income	<b>( 520,312)</b>	( 403,831)	<b>(78,286)</b>	(79,658)
Gain on sale of AFS investments	<b>( 379,435)</b>	( 498,677)	<b>(124,198)</b>	(240,327)
Interest income	<b>( 64,291)</b>	( 59,920)	<b>(21,419)</b>	(20,428)
Unrealized foreign exchange loss (gain)	<b>( 19,041)</b>	924	<b>(9,518)</b>	3,236
Gain on sale of property and equipment	<b>( 17,352)</b>	( 665)	-	-
Valuation allowance - net of recovery	-	( 10,000)	-	(10,000)
Gain on increase in market values of FVPL investments	<b>( 12,701)</b>	( 32,640)	<b>(1,913)</b>	(11,743)
Operating loss before working capital changes	<b>( 109,133)</b>	( 70,832)	<b>(7,117)</b>	(12,829)
Increase in receivables	<b>( 53,310)</b>	( 92,961)	<b>(88,069)</b>	(76,068)
Increase in FVPL investments	<b>123,402</b>	( 112,858)	<b>31,824</b>	(81,600)
Increase (decrease) in accounts payable and accrued expenses	<b>151,691</b>	( 8,754)	<b>(6,460)</b>	750
Net cash generated (used in) operations	<b>112,650</b>	( 285,404)	<b>(69,822)</b>	(169,746)
Dividend received	<b>520,312</b>	403,831	<b>78,286</b>	204,658
Interest received	<b>65,497</b>	60,110	<b>21,929</b>	20,396
Interest paid	<b>( 35,832)</b>	( 41,491)	<b>(11,878)</b>	(13,908)
Income tax paid	<b>( 1,415)</b>	-	<b>(485)</b>	-
Net cash flows from operating activities	<b>661,211</b>	137,047	<b>18,031</b>	41,399

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale of :				
AFS investments	<b>2,098,880</b>	1,641,895	<b>587,148</b>	713,248
Property and equipment	<b>17,616</b>	703	<b>264</b>	37
Additions to:				
AFS investments	<b>( 1,735,089)</b>	( 1,090,001)	<b>(503,613)</b>	(383,499)
Property and equipment	<b>( 5,863)</b>	( 1,355)	<b>(2,441)</b>	(218)
Increase in:				
Advances to affiliates	<b>( 100,990)</b>	201,730	<b>66,718</b>	239,301
Other assets	<b>71</b>	( 524)	<b>240</b>	(135)
Net cash flows from investing activities	<b>274,625</b>	752,447	<b>148,316</b>	568,735
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of:				
Long-term debt	<b>( 452,858)</b>	( 318,600)	<b>(114,638)</b>	(108,563)
Cash dividends	<b>( 502,912)</b>	( 487,735)	<b>(2,912)</b>	(241,216)
Notes payable	-	69,000	-	(140,000)
Net cash flows used in financing activities	<b>( 955,769)</b>	( 737,335)	<b>(117,549)</b>	(489,779)
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>				
	<b>11,312</b>	607	<b>10,082</b>	3,395
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<b>( 8,621)</b>	152,766	<b>58,879</b>	123,751
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>				
	<b>836,979</b>	443,236	<b>769,479</b>	472,251
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>				
	<b>828,358</b>	596,002	<b>828,358</b>	596,002



## 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						Eliminations	After Eliminations Consolidated
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total		
<b>09/30/2017</b>								
REVENUE	1,833,870	5,168,803	591,271	455,147	1,027,288	9,076,380	(590,094)	<b>8,486,286</b>
NET INCOME	89,865	410,949	54,969	243,857	849,816	1,649,456	(539,993)	<b>1,109,463</b>
TOTAL ASSETS	1,079,246	3,918,648	1,548,438	13,172,714	18,735,122	38,454,169	(15,909,550)	<b>22,544,619</b>
INVESTMENTS PORTFOLIO *	-	12,057	101,640	12,847,147	17,618,073	30,578,918	(18,156,673)	<b>12,422,245</b>
PROPERTY & EQUIPMENT	5,424	634,208	766,333	107,295	22,943	1,536,203	1,114,673	<b>2,650,876</b>
TOTAL LIABILITIES	458,588	1,378,347	480,451	4,048,348	1,651,364	8,017,098	(3,919,061)	<b>4,098,038</b>
DEPRECIATION AND AMORTIZATION	2,015	55,271	74,967	30,100	6,578	168,930	19,988	<b>188,919</b>

	Before Eliminations						Eliminations	After Eliminations Consolidated
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total		
<b>09/30/2016</b>								
REVENUE	1,864,943	4,710,898	461,162	1,123,780	1,060,582	9,221,364	(608,116)	<b>8,613,248</b>
NET INCOME	181,213	549,299	293,490	284,536	874,395	2,182,933	(522,458)	<b>1,660,475</b>
TOTAL ASSETS	1,288,960	3,668,471	1,547,596	11,823,709	17,629,838	35,958,574	(14,962,790)	<b>20,995,784</b>
INVESTMENTS ASSETS *	-	9,637	93,383	11,504,059	16,717,200	28,324,278	(17,196,594)	<b>11,127,684</b>
PROPERTY & EQUIPMENT	4,864	580,791	817,608	101,797	24,981	1,530,042	1,141,324	<b>2,671,366</b>
TOTAL LIABILITIES	178,013	1,496,874	522,617	3,872,288	2,320,357	8,390,148	(3,634,983)	<b>4,755,164</b>
DEPRECIATION AND AMORTIZATION	3,758	52,269	72,221	20,711	6,064	155,022	19,988	<b>175,010</b>

\* ***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 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 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 Thousand 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 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.

#### 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 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, 2017 and December 31, 2016:

	Nature of Business	Percentage of Ownership	
		2017	2016
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 Holdings (formerly Goldenhall Corp.)	Real Estate Holding	100	100
Akapulko Holdings, Inc.	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
Timbercrest Corp.	Real Estate 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

\* Subsequently sold on October 19, 2017.

	Nature of Business	Percentage of Ownership	
		2017	2016
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
Summerside Corp.	Investment Holdings	40	40

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

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

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

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

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

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

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

#### Current Versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

#### Investments in Associates

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

	Nature of Business	Percentage of Ownership	
		2017	2016
<b>Associates</b>			
Prople Limited	Business Process		
	Outsourcing	32	32
Vicinetum Holdings, Inc. (VHI)	Holding	32	32
AGP International Holdings Ltd. (AGPI) *	Holding	27	27
BehaviorMatrix, LLC (BM)	Behavior Analytics		
	Services	21	21

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

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

The principal business location of VHI is the Philippines. AGPI, BM and Prople Limited are based in BVI, United States of America and Hongkong, 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 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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016.

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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016.

#### 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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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 and the actual construction and furnishing costs.

#### *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	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

*\* or lease term, whichever is shorter*

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

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

### Property Development in Progress

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

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

### Investment Properties

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

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

### Impairment of Nonfinancial Assets

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

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

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

### Goodwill

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

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

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

#### Customer's Deposit for Property Development

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

#### Other Noncurrent Assets and Other Noncurrent Liabilities

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

#### Capital Stock

Capital stock represents the total par value of the shares issued.

#### Additional Paid-in Capital

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

#### Retained Earnings

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

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

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

#### Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

#### Leases

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



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

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

#### *The Group as Lessee*

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

#### *The Group as Lessor*

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

#### Borrowing Costs

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

#### Pension Benefits

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the

expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

### Income Taxes

#### *Current income tax*

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

#### *Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

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

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

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

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

#### *Value-added Tax (VAT)*

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

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

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

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

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

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

#### Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of September 30, 2017 and December 31, 2016.

#### 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 P1,896.1 million and P1,889.5 million as of September 30, 2017 and December 31, 2016, 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*

CMSI is accredited by the The Joint Commission, a private sector, US-based, not-for-profit organization. This accreditation significantly influences the CMSI'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 CMSI's credentialing and operating procedures and ability to staff qualified healthcare professionals. The CMSI 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 objective 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, 2017 and December 31, 2016.

- 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, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FVPL investments:				
Bonds and convertible note	<b>P647,675</b>	<b>P647,675</b>	P744,616	P744,616
Funds and equities	<b>167</b>	<b>167</b>	3,346	3,346
Others	<b>22,176</b>	<b>22,176</b>	21,719	21,719
	<b>670,018</b>	<b>670,018</b>	769,680	769,680
AFS investments:				
Quoted equity shares	<b>6,631,850</b>	<b>6,631,850</b>	5,671,746	5,671,746
Bonds and convertible note	<b>879,619</b>	<b>879,619</b>	847,825	847,825
Funds and equities	<b>452,262</b>	<b>452,262</b>	254,471	254,471
Proprietary shares	<b>185,810</b>	<b>185,810</b>	184,210	184,210
Unquoted shares	<b>752,935</b>	<b>752,935</b>	1,097,757	1,097,757
	<b>8,902,476</b>	<b>8,902,476</b>	8,056,010	8,056,010
	<b>P9,572,494</b>	<b>P9,572,494</b>	P8,825,690	P8,825,690

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, 2017 and December 31, 2016, AFS investments amounting to P588.8 million and P305.2 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, 2017:**

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Bonds and convertible note	<b>P647,675</b>	<b>P647,675</b>	<b>P–</b>	<b>P–</b>
Funds and equities	<b>167</b>	<b>167</b>	<b>–</b>	<b>–</b>
Others	<b>22,176</b>	<b>22,176</b>	<b>–</b>	<b>–</b>
	<b>670,018</b>	<b>670,018</b>	<b>–</b>	<b>–</b>
AFS investments:				
Quoted equity shares	<b>6,631,850</b>	<b>6,631,850</b>	<b>–</b>	<b>–</b>
Bonds and convertible note	<b>879,619</b>	<b>879,619</b>	<b>–</b>	<b>–</b>
Funds and equities	<b>452,262</b>	<b>452,262</b>	<b>–</b>	<b>–</b>
Proprietary shares	<b>185,810</b>	<b>185,810</b>	<b>–</b>	<b>–</b>
Unquoted shares	<b>752,935</b>	<b>–</b>	<b>–</b>	<b>752,935</b>
	<b>8,902,476</b>	<b>8,149,541</b>	<b>–</b>	<b>752,935</b>
	<b>P9,572,494</b>	<b>P8,819,559</b>	<b>P–</b>	<b>P752,935</b>



As of December 31, 2016:

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Bonds and convertible note	₱744,616	₱744,616	₱–	₱–
Funds and equities	3,346	3,346	–	–
Others	21,719	21,719	–	–
	769,680	769,680	–	–
AFS investments:				
Quoted equity shares	5,671,746	5,671,746	–	–
Bonds and convertible note	847,825	847,825	–	–
Funds and equities	254,471	254,471	–	–
Proprietary shares	184,210	184,210	–	–
Unquoted shares	1,097,757	-	–	1,097,757
	8,056,010	6,958,252	–	1,097,757
	₱8,825,690	₱7,727,933	₱–	₱1,097,757

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
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

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):

	KSA
As at 1 January 2016	P516
Re-measurement recognized in OCI	—
Realized gains (losses) in profit or loss	—
Unrealized gains (losses) in profit or loss	—
Purchases	237
Reclassified in discontinued operations	—
Transfer into/out of Level 3	—
Sales	—
As at 31 December 2016	753
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	—
<b>As at 30 September 2017</b>	<b>P753</b>

For the periods ended September 30, 2017 and December 31, 2016, 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, 2017 versus December 31, 2016.

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

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P1.3 billion offset by cash flows from operating activities of P606.6 million.

(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 decrease in the account can be attributed to the net disposal for the period of about P123.4 million offset by the increase of P12.7 million in market value of foreign denominated investment in bonds, stocks and funds and unrealized foreign exchange gain related to foreign denominated investments amounting to P11.0 million

**Receivables**

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

**Inventories**

The increase was due to higher level of finished goods and work-in-process inventories of the wire manufacturing subsidiary, offset by issuance/utilization of spare parts and supplies by the aviation and resort subsidiaries.

**Prepayments and other current assets**

Increase in this account can be attributed mainly to prepaid expenses related to US-based staffing business, manufacturing and resort operations.

**Available for Sale (AFS) Investments (Current and Non-current)**

Net increase in this account amounted to P1.1 billion. There was an increase in market value of AFS investments of about P0.9 million and net addition to AFS investments of P207.6 million. Unrealized foreign exchange gain recognized for nine months of 2017 amounted to P32.5 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 P60.9 million.

**Goodwill**

The goodwill from US-based staffing business decreased by P103.1 million due to write-off of goodwill related to dissolved entities partially offset by foreign exchange gain of P17.1 million from the translation of net assets of the medical staffing company.

**Property, Plant and Equipment - net**

Depreciation charged to operations amounted to P188.9 million while net additions to property and equipment amounted to P191.1 million, mainly attributable to capital expenditures of the manufacturing and resort 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 and additional refundable deposits made by aviation subsidiary in relation to the maintenance service plan for its aircrafts.

**Notes Payable**

The decrease in the account was due to payment of short term loan by Cirrus.

***Accounts Payable and Accrued Expenses***

The increase was mainly attributable to the recorded liabilities to the suppliers of the resort and wire manufacturing subsidiary.

***Dividends Payable***

On February 22, 2017, the Parent Company approved the declaration of cash dividends of P0.20 per share to shareholders, which was paid on April 4, 2017. The balance pertained to unencashed checks of stockholders with problematic addresses.

***Income Tax Payable***

Movement in the account was attributable to income taxes paid during the period by the Group.

***Long-term Debt (current and noncurrent)***

The decrease in the account can be attributed to P683.6 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company and subsidiaries when translated to the exchange rate as of September 30, 2017.

***Deferred Income Tax Liabilities***

Minimal 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 P75.6 million.

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

Increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to P892.2 million from January 1 to September 30, 2017.

***Others***

There were no commitments for major capital expenditures in 2017.

## 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	
	2017	2016
Revenues (excluding investment gains or losses)	635,153	529,265
Investment Gains	392,136	531,317
Net Income	849,816	874,395
Earnings Per Share	0.34	0.35
Market Price Per Share (PSE)	6.97	6.10

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

### **Revenues**

This year's consolidated gross revenues of P8.5 billion was slightly lower than last year's revenue of P8.6 billion. Sales revenue of PDP Energy, was higher by P457.9 million or 9.7%. Also, resort operations reported improved revenues. These were offset by the decrease in gain on sale of AFS investments and other service revenues.

### **Cost of Goods Sold/Services Rendered**

Increase in cost of goods sold and services rendered was mainly attributable to higher cost of goods and services of the wire manufacturing, nurse staffing business and resort operation due to their increased revenues.

### **Operating Expenses**

The Group reported higher operating expenses for nine months of 2017 mainly due to increased expenses of the Parent Company, PDP, the staffing business and the resort group.

***Foreign Exchange Gain***

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

***Interest Expense***

Amount in 2017 was slightly lower than 2016 due to payment of long-term loan by the parent company and PDP.

***Other income (charges) – net***

Other charges for 2017 includes write-off of goodwill of entities under Cirrus Group.

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

The current provision for income tax of the Group slightly declined due lower income tax of PDP, partially offset by increased income tax of Cirrus Medical Staffing for the period ended September 30, 2017.

***Noncontrolling Interests (statements of income)***

Decrease was mainly due to share of minority shareholders in the lower net income of Seven Seas (no villa sale in 2017), aviation subsidiary and net loss of Cirrus Global, Inc. for nine months of 2017.

**9. Cash Flows**

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

**10. Financial information**

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicity trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,282,524,246 shares of Anscor. During nine months of 2017, Anscorcon purchased 15.1 million Anscor shares amounting P95.9 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	
	2017	2016
<i>Volume sold (MT)</i>	<b>11,683</b>	11,449
<i>Revenue</i>	<b>5,168,803</b>	4,710,898
<i>Net Income</i>	<b>410,949</b>	549,299

Volume sold by PDP Energy was higher than last year, metal and other production costs were also higher. As a result, PDP's net income of P411.0 million for nine months of 2017 was lower compared to P549.3 million net profit last year.

***Seven Seas' Amanpulo Resort*** ended up with an occupancy rate of 53.9% for nine months of 2017, higher than the 2016 average occupancy rate of 41.1%. Average room rate was P52,916, lower from last year's average room rate of P55,071. Total hotel revenues amounted to P591.3 million, an improvement from last year's revenues of P461.2 million partially helped by the appreciation of the Philippine peso vis-à-vis US\$. Gross operating profit (GOP) of P214.3 million increased by P65.7 million versus 2016's GOP.

Seven Seas reported a consolidated net income of P55.0 million for the nine months of 2017. Last year's net income of P293.5 million included the gain on sale of villa amounting to P300.2 million.

## **Cirrus Group**

***Cirrus Medical Staffing, Inc.*** reported a consolidated operating income of \$4.6 million for year to date September 30 2017, higher than last year's operating income of \$5.0 million. Gross margin of 27.5% was slightly higher from the 26.5% gross margin posted on the same period last year.

(Please see page 71 on subsequent event.)

## **12. Financial Indicators**

**Significant financial indicators of the Group are the following:**

	<b>09/30/2017</b>	<b>09/30/2016</b>
1. Book Value Per Share (Note 1)	<b>14.74</b>	12.77
2. Current Ratio (Note 2)	<b>3.06</b>	2.91
3. Interest Rate Coverage Ratio (Note 3)	<b>19.47</b>	25.27
4. Debt to Equity Ratio (Note 4)	<b>0.23</b>	0.30
5. Asset to Equity Ratio (Note 5)	<b>1.26</b>	1.33
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	<b>12.7%</b>	17.7%
7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	<b>6.0%</b>	9.7%

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 Thousand Pesos except sales volume

	<b>09/30/2017</b>	09/30/2016
1. Volume	<b>11,683</b>	11,449
2. Net Sales	<b>5,168,803</b>	4,710,898
3. Net income	<b>410,949</b>	549,299

***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

	<b>09/30/2017</b>	09/30/2016
3. Service income	<b>1,833,870</b>	1,864,943
4. Cost of services rendered	<b>1,329,325</b>	1,369,861
5. Net Income	<b>89,865</b>	181,213

(Please see page 71 on subsequent event.)

***Seven Seas Group***

In Thousand Pesos

	<b>09/30/2017</b>	09/30/2016
1. Occupancy rate	<b>53.9%</b>	41.1%
2. Hotel revenue	<b>591,271</b>	461,162
3. Gross operating profit (GOP)	<b>214,284</b>	148,573
4. GOP ratio	<b>36.2%</b>	32.2%
5. Net income *	<b>54,969</b>	293,490

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.

\* 2016 net income inclusive of gain on sale of 2 villas of P300.2 million.

### **13. Subsequent Event**

On October 19, 2017, the Parent company (Anscor) through its wholly-owned British Virgin Island company, IQ Healthcare Investments Limited entered into a Merger Agreement with Webster Capital Management LLC, a US based company, effectively selling Anscor's entire shareholdings in Cirrus Medical Staffing, Inc. (CMSI) equivalent to 93.55% of CMSI's total outstanding shares for total purchase price of US\$36.85 million.

CMSI owns 100% of Cirrus Holdings USA, LLC, a North Carolina limited liability company engaged in the contract and temporary staffing and permanent placement of nurses and allied healthcare professionals in the United States and of Cirrus Global Services, Inc., a Philippine domiciled company that provides finance and administrative support services. Anscor acquired CMSI in 2008.

**A. SORIANO CORPORATION (Parent Only)****Receivables****(In Thousand Pesos)****september 30, 2017**

<b>Particulars</b>	<b>Current</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>61-120</b>	<b>121-180</b>	<b>181-360</b>	<b>Over 1 yr.</b>	<b>TOTAL</b>
BIR- Creditable Withholding tax	103	103	3,047	4,657	805	28,588	40,985	78,288
ATR Holdings, Inc.	70,000	-	-	-	-	-	-	70,000
Phelps Dodge - Management fees	20,276	600	13,299	3,898	-	-	-	38,073
Int. Receivable-Bonds-Bank of Singapore	3,000	3,414	5,133	-	-	-	-	11,548
Int. Receivable-Bonds-BPI	2,669	2,973	2,210	-	-	-	-	7,852
Others	287	73	440	684	6,422	287	-	8,192
<b>Total Receivable</b>	<b>96,335</b>	<b>7,163</b>	<b>24,129</b>	<b>9,239</b>	<b>7,227</b>	<b>28,875</b>	<b>40,985</b>	<b>213,953</b>