COVER SHEET

PW-02

SEC Registration Number

A. SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BUILDING

GIL J. PUYAT AVENUE COR. MAKATI AVE.

MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. JOSHUA L. CASTRO

(Contact Person)

819-0251

(Company Telephone Number)

Month	Day
1 2	3 1

(Fiscal Year)

SEC 20-IS

PRELIMINARY INFORMATION STATEMENT

(Form Type)

3rd Wednesday of April

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

A. SORIANO CORPORATION

Notice of Annual Meeting of Stockholders

NOTICE IS HEREBY GIVEN that the regular Annual Meeting of Stockholders of A. Soriano Corporation ("ANSCOR" or the "Company") will be held on Wednesday, 18 April 2018 at 10:00 a.m. at the Rigodon Ballroom, Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, 1226 Makati City, Philippines.

The agenda for the meeting is as follows:

1. Approval of the minutes of previous meeting.
2. Presentation of the Chairman and Chief Executive Officer's Message to Stockholders.
3. Election of members of the Board of Directors.
4. Appointment of external auditors.
5. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting.
6. Such other business as may properly come before the meeting.

Only stockholders of record in the books of the Company at the close of business on 16 March 2018 will be entitled to vote at the meeting. The list of stockholders entitled to vote will be available for inspection at the office of A. Soriano Corporation, 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, ten (10) days prior to the Annual Meeting.

Stockholders are requested to complete, date, sign, and return the enclosed proxy form to reach the Company as promptly as possible not less than ten (10) working days prior to the Annual Meeting or not later than 2 April 2018. The giving of such proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

Proxy validation will be held at A. Soriano Corporation, 7th Floor, Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue, Makati City on 10 April 2018 from 11:00 a.m. to 12:00 noon.

Makati City, Philippines, 21 March 2018.

THE BOARD OF DIRECTORS
By:

LORNA PATAJO-KAPUNAN
Corporate Secretary

REGISTRATION OF STOCKHOLDERS WILL START AT 9:00 a.m.
Please bring identification, such as valid passport, driver's license or Company I. D.

A. SORIANO CORPORATION

P R O X Y

THIS PROXY IS BEING SOLICITED IN BEHALF OF ANDRES SORIANO III

____
Date

KNOW ALL MEN BY THESE PRESENTS:

I, the undersigned stockholder of A. Soriano Corporation, do hereby appoint, name and constitute ANDRES SORIANO III, or in his absence, the Vice Chairman of the Board, the Chief Financial Officer or the Corporate Secretary, in the order as enumerated, as my true and lawful proxy for me and in my name and stead, to attend the Annual Meeting of the Stockholders of the Corporation on 18 April 2018 and at any adjournment(s) thereof, to vote all my shares of stock in the Corporation in all matters set forth in the agenda as I have expressly indicated by marking the same with an "X" or a "✓".

If no specific instruction is given, the shares will be voted FOR the election of the nominees for directorship whose names appear in this proxy form and FOR the approval of all matters listed in the proxy statement the stockholders' approval of which is sought in the meeting. Moreover, this proxy shall confer discretionary authority to vote with respect to the election of any person to any office for which a bona fide nominee is named in the proxy statement and such nominee is unable to serve or for good cause will not serve; and to all matters incident to the conduct of the meeting.

I T E M	A C T I O N		
	FOR	**AGAINST**	**ABSTAIN**
1. To approve the minutes of the 19 April 2017 Annual Meeting of Stockholders			
2. To approve the 2017 Annual Report of the Corporation			
3. To elect the following nominees as directors of the Corporation			
a. Andres Soriano III			
b. Eduardo J. Soriano			
c. Ernest K. Cuyegkeng			
d. John L. Gokongwei, Jr.			
e. Oscar J. Hilado			
f. Jose C. Ibazeta			
g. Roberto R. Romulo			
4. To re-appoint SGV & Co. as external auditors of the Corporation			
5. To ratify all acts, contracts and resolutions of Management and the Board of Directors since the last annual meeting of the Corporation			
6. Other Matters			

Please refer to the Notice of Meeting for the agenda items of the stockholders' meeting on 18 April 2018.
Please see reverse side for voting, revocability, validation, submission deadline and authentication of proxies.

____
Printed Name of Stockholder

____
Signature of Stockholder
or Authorized Signatory*

[*N.B.: Corporations, Partnerships and Associations must attach certified resolutions or extracts thereof designating the authorized signatory/ies for the purpose of this Proxy.]

<u>PLEASE DATE, SIGN, and RETURN PROXY</u>

Voting, Revocability of Proxies, Validation/ Submission Deadline, Authentication

When proxies are properly dated, executed, and returned on or before 2 April 2018, the shares they represent will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted FOR the election of the nominees for directorship whose names appear in the proxy form and FOR the approval of all matters the stockholders' approval of which is sought in the meeting. A stockholder giving a proxy has the power to revoke it at any time prior to its exercise by voting in person at the Annual Meeting, by giving written notice to the Corporate Secretary prior to the Annual Meeting or by giving a subsequent proxy which must be received by the office of the Corporate Secretary not later than 2 April 2018.

Each share of Common Stock outstanding as of record date will be entitled to one (1) vote on all matters. The candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. The appointment of the independent auditors for the Company for the current year as well as other items presented to the Stockholders during the Annual Meeting will require the affirmative vote of a majority of the votes cast on the matter. Pursuant to Article III Section 6 of the By-Laws of the Corporation, written proxy shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting or not later than 2 April 2018.

Pursuant to the provisions of the By-Laws, the Board of Directors has set the date of validation of proxies to 10 April 2018. For this purpose, the Corporate Secretary shall act as the inspector at the election of directors and other voting by stockholders.

Under SEC Memo Circular No. 5 Series of 1996, all proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.

Person Making the Solicitation

The solicitation of proxies in the form accompanying this Statement is made in behalf of Management through Atty. Lorna Patajo-Kapunan and the proxy given will be voted in accordance with the authority contained therein. The solicitation of proxies in the accompanying form will be primarily by mail. However, personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen (15), and who will receive no additional compensation therefor. The Company will bear the cost, amounting to One Million Eighty Four Thousand Sixteen Pesos and 38/100 (P1,084,016.38), of preparing and mailing the annual reports, information statement and other materials furnished to the stockholders in connection with proxy solicitation.

None of the Directors has informed the Company that he intends to oppose any action intended to be taken by the Company.

Interest of Certain Persons in Matters to be Acted Upon

No Director or Executive Officer, nominated for re-election as Director or his associate has, at any time, any substantial interest, direct or indirect, by security holdings or otherwise, on any of the matters to be acted upon in the meeting, other than the approval of the Annual Report, election to office and ratification of acts of Management.

A. Soriano Corporation

INFORMATION STATEMENT

Wednesday, 18 April 2018
10:00 A.M.
Rigodon Ballroom
Manila Peninsula Hotel
Ayala Avenue corner Makati Avenue
1226 Makati City, Philippines

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
/ X / Preliminary Information Statement / / Definitive Information Statement

2.	Name of the registrant as specified in its charter	:	A. SORIANO CORPORATION
3.	Province, or country or other jurisdiction of incorporation organization	:	Makati City, Philippines
4.	SEC Identification Number	:	PW - 02
5.	BIR Tax Identification Code	:	000-103-216-000
6.	Address of principal office	:	7th Floor, Pacific Star Building Makati Avenue corner Gil Puyat Avenue 1209 Makati City, Philippines
7.	Registrant's telephone number, including area code	:	(632) 819-0251 to 60
8.	Date, Time and Place of the meeting	:	18 April 2018, Wednesday at 10:00 A.M. Rigodon Ballroom Manila Peninsula Hotel Ayala Avenue corner Makati Avenue 1226 Makati City, Philippines
9.	Approximate date on which the Information Statement is first to be sent or given to security holders	:	On or before 21 March 2018
10.	In case of Proxy Solicitations Name of Person Filing the Statement/Solicitor	:	Atty. Lorna Patajo-Kapunan, Corporate Secretary
	Address	:	7th Floor, Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue, 1209 Makati City, Philippines
	Telephone Nos.	:	(632) 819-0251 to 60

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount to debt is applicable only to corporate registrants):

Title of Each Class	:	Common Shares
Number of shares of Common Stock Outstanding or Amount of Debt Outstanding As of February 28, 2018	:	2,500,000,000

12.	Are any or all of registrant's securities listed in a Stock Exchange?	:	Yes
	If so, disclose name of the Exchange	:	Philippine Stock Exchange

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

Date :	Wednesday, 18 April 2018
Time :	10:00 A.M.
Place :	Rigodon Ballroom Manila Peninsula Hotel Ayala Avenue corner Makati Avenue 1226 Makati City, Philippines
Principal Office:	7th Floor, Pacific Star Bldg. Makati Avenue corner Gil Puyat Avenue 1209 Makati City, Philippines

This information statement and the enclosed proxy form will be mailed or delivered by messengerial service to stockholders entitled to notice of and to vote at the Annual Meeting on or before 21 March 2018.

Voting, Revocability, Validation, Submission Deadline and Authentication of Proxies

When proxies are properly dated, executed, and returned on or before 2 April 2018, the shares they represent will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted FOR the election of the nominees for directorship whose names appear in the proxy form and FOR the approval of all matters the stockholders' approval of which is sought in the meeting. A stockholder giving a proxy has the power to revoke it at any time prior to its exercise by voting in person at the Annual Meeting, by giving written notice to the Corporate Secretary prior to the Annual Meeting or by giving a subsequent proxy which must be received by the office of the Corporate Secretary not later than 2 April 2018.

Each share of common stock outstanding as of record date will be entitled to one (1) vote on all matters. The candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. The appointment of the independent auditors for the Company for the current year as well as other items presented to the Stockholders during the Annual Meeting will require the affirmative vote of a majority of the votes cast on the matter. Pursuant to Article III, Section 6 of the By-Laws of the Corporation, written proxy shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting or not later than 2 April 2018.

Pursuant to the provisions of the By-Laws, the Board of Directors has set the date of validation of proxies on 10 April 2018. For this purpose, the Corporate Secretary shall act as the inspector at the election of directors and other voting by stockholders.

Under SEC Memo Circular No. 5 Series of 1996, all proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.

SOLICITATION INFORMATION

Person Making the Solicitation

The solicitation of proxies in the form accompanying this statement is made on behalf of Management through Atty. Lorna Patajo-Kapunan and the proxy given will be voted in accordance with the authority contained therein. The solicitation of proxies in the accompanying form will be primarily by mail. However, personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen (15) and who will receive no additional compensation therefor. The Company will bear the cost, amounting to One Million Eighty Four Thousand Sixteen Pesos and 38/100 (P1,084,016.38) of preparing and mailing the annual reports, information statement and other materials furnished to the stockholders in connection with proxy solicitation.

None of the Directors has informed the Company of any intention to oppose an action intended to be taken by the Company.

Dissenter's Right of Appraisal

There are no corporate matters or action that will trigger the exercise by the stockholders of their Right of Appraisal under the Corporation Code. However, if at any time after the information statement has been sent out, an action which may give rise to the Right of Appraisal is proposed at the meeting, any stockholder who wishes to exercise such right and who voted against the proposed action must make a written demand within thirty (30) days after the meeting.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Interest of Certain Persons in Opposition to Matters to be Acted Upon

No Director or Executive Officer, nominated for re-election as Director, or his Associate has, at any time, any substantial interest, direct or indirect, by security holdings or otherwise, on any of the matters to be acted upon in the meeting, other than the approval of the Annual Report, election to office and ratification of acts of Management.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Only stockholders of record on the books of the Company at the close of business on 16 March 2018 will be entitled to vote at the Annual Meeting. Presence in person or by proxy of a majority of the shares of common stock outstanding on the record date is required for a quorum.

There are 2,500,000,000 shares of common stocks outstanding and issued as of 16 March 2018. All the issued shares are entitled to vote on a one (1) share - one (1) vote basis. The Company has only one class of shares.

Pursuant to the Corporation Code and as provided under Article III, Section 8 of the By-Laws, every stockholder is entitled to vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. The proxy being solicited includes the authority to cumulate votes.

Except as indicated in section (a) below on Security Ownership of Certain Record and Beneficial Owners, there are no other persons holding 5% or more of the common stock of the Company.

As of February 28, 2018 the foreign ownership level of total outstanding shares is 20.26%.

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

Change in Control

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

a. Security Ownership of Certain Record and Beneficial Owners

As of 28 February 2018, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

Title of Class	Name /Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number Of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,282,826,746*	51.313%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	455,825,819	18.233%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	169,646,329	6.786%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Filipino) (Depository Account)	Filipino	130,593,573	5.224%

***** Includes 380,574,443 shares lodged with PCD Nominee Corp. (Filipino)

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

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

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

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

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

b. Securities Ownership of Certain Beneficial Owners and Management

As of 28 February 2018**,** the following are the security ownership of the Directors and Officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature Of Beneficial Ownership		Citizenship	Percent
Common	Andres Soriano III	489,428,270	Direct/Indirect	American	19.577%
Common	Eduardo J. Soriano	188,515,944	Direct/Indirect	Filipino	7.541%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	John L. Gokongwei, Jr.	204,982	Direct/Indirect	Filipino	0.008%
Common	Oscar J. Hilado	20,000	Direct/Indirect	Filipino	0.001%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Roberto R. Romulo	20,000	Direct	Filipino	0.001%
	Total	678,242,147			27.130%

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

c. Voting Trust Agreement

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

Directors and Executive Officers

Pursuant to the Corporation's By-Laws, in addition to the right of the Board of Directors to make nominations for the election of Directors including independent Directors, nominations for Directors including independent Directors may be made by any shareholder entitled to vote for the election of Directors.

Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent through the Corporate Secretary), on the 1st of March of every year or at such earlier or later date as the Board of Directors may fix.

Each nomination under the preceding paragraph shall set forth the name, age, business address and, if known, residence address of each nominee, the principal occupation or employment of each such nominee, the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine, the defective nomination and the nomination of the disqualified person shall be disregarded.

Mr. Eduardo J. Soriano, the Vice Chairman and Treasurer, nominated all the nominees for Directors including independent Directors contained in the information statement. Mr. Soriano is not related to any of the independent Directors nominated. No other nomination was submitted as of 01 March 2018.

Unless marked otherwise, the proxies received will be voted FOR the election of the nominees named below who have signified their acceptance of their respective nominations. The Board of Directors has no reason to believe that any of such nominees will be unwilling or unable to serve if elected as a Director. Each Director shall serve until the next annual meeting of stockholders or until his successor is elected or appointed in case of vacancy due to death, resignation or removal. Management recommends a vote FOR the election of each of the nominees listed below who are incumbent directors of the Company.

The nominations for independent Directors complies with SRC Rule 38, which requires that a corporation with a class of equity securities listed for trading on the Philippine Stock Exchange or with assets in excess of Fifty Million Pesos (P50,000,000.00) and having two hundred (200) or more holders, at least two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities shall have at least two (2) independent Directors or such independent Directors shall constitute at least twenty percent (20%) of the members of such Board.

The two nominated independent Directors of the Company are Mr. Oscar J. Hilado and Mr. Roberto R. Romulo, and have been as such for the last five years. They are neither officers nor employees of the Company or of any of its subsidiaries. They do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out their responsibilities. Further, the nominated independent Directors possess all the qualifications and none of the disqualifications to serve as independent Directors of the Company. The independent Directors are nominated and elected in the same manner as regular directors in accordance with the nomination and election procedures provided in the By-Laws. The Company amended its By-Laws on 10 June 2009 to incorporate the requirements of SRC Rule 38 with respect to the nomination and election of independent Directors.

A brief description of the Directors' business experiences for the last five years follows:

ANDRES SORIANO III, age 66, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of International Container Terminal Services, Inc. (ICTSI) (July 1992 to present), and Manila Peninsula Hotel, Inc. (1986 to present). Mr. Soriano was formerly the President and Chief Operating Officer of San Miguel Corporation and was subsequently the Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 63, Filipino, Director of the Company since 21 May 1980; Vice Chairman and Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman of Anscor Holdings, Inc. (2012 to present); Member of the Board of Trustees and President of The Andres Soriano Foundation, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 71, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Phelps Dodge Philippines Energy Products Corporation (1999 to present), and Anscor Holdings, Inc. (2012 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present), KSA Realty Corporation (2001 to present), ATRAM Investment Management Partners Corporation (2014 to present), T-O Insurance (2008 to present), and Sumifru, Singapore (2003 to present); Chairman and Director of ArthaLand Corporation (2007 to present); Member of the Board of Trustees of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of the Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968). Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

JOHN L. GOKONGWEI, JR., age 92, Filipino, Director of the Company since 21 May 1980; Director and Chairman Emeritus of JG Summit Holdings, Inc.; Chairman and CEO of JG Summit Holdings, Inc. (from 1990 to 2001); Director of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc., JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, Oriental Petroleum and Minerals Corporation, Manila Electric Company (March 31, 2014 to present); Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited; Graduate of De La Salle University, Masters Degree in Business Administration, (1977) Advance Management Program, Harvard University, (1972-1973).

OSCAR J. HILADO, age 80, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Union Galvasteel Corporation (March 2017 – present), Phinma Power Generation Corporation (1996 to present), Phinma Energy Corporation (April 2017 to present), Phinma Petroleum and Geothermal Corporation (April 2013 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Philex Mining Corporation (December 2009 to present), Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), Smart Communications, Inc., (May 2013 to present), Rockwell Land Corporation (May 2015 to present) and Roxas Holdings, Inc. (March 2016 to present). Graduate of De La Salle

College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company

JOSE C. IBAZETA, age 75, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), AG&P International Holdings, Ltd. (December 2014 to present), ICTSI Ltd., and ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968), MBA in Banking and Finance, New York University (1972).

ROBERTO R. ROMULO, age 79, Filipino, an independent Director of the Company since 13 April 1998; Chairman of AIG Philippines Insurance, Inc. (June 2000 to present), PETNET, Inc. (February 2006 to present), MediLink Network, Inc. (September 1999 to present), Nationwide Development Corporation (NADECOR), Carlos P. Romulo Foundation for Peace and Development, Philippine Foundation for Global Concerns, Inc. (PFGC) (1996 to present), Zuellig Family Foundation (June 2008 to present), Romulo Asia Pacific Advisory, Inc. (December 1997 to present) and Asia-Europe Foundation of the Philippines; Advisory Board Member of Philippine Long Distance Telephone Co. (PLDT) (March 2001 to present) and Independent Director of Equicom Savings Bank (January 2008 to present), Robinson Retail Holdings, Inc. (2013 to present) and Maxicare Healthcare Corporation (2014 to present); 25-year career at IBM Corporation holding CEO positions in the Philippines, Thailand, Burma and Bangladesh; Graduate of Georgetown University, (A.B.) and Ateneo de Manila University (LLB); Former Ambassador to Belgium, Luxembourg and the European Commission and Secretary of Foreign Affairs.

The following are the members of the Audit Committee, Compensation Committee, Executive Committee and Nomination Committee:

Audit Committee:

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

Compensation Committee:

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

Executive Committee:

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

Nomination Committee:

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

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

WILLIAM H. OTTIGER, age 50, Swiss, Senior Vice President and Corporate Development Officer of the Company; Director of AG&P International, Cirrus Global, Inc., AG&P Manila and Prople, Inc.; Formerly with San Miguel Brewing Group and UBS Investment Bank; Graduate of Washington & Lee University, B.A. History, (1990). London Business School, Masters of Business Administration, (2001).

NARCISA M. VILLAFLOR, age 55, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc., The Andres Soriano Foundation, Inc., Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.), Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation and Cirrus Global, Inc.; Trustee of The Andres Soriano Foundation, Inc. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 55, Filipino, Vice President (joined the group in 1997); Director and General Manager of Anscor Holdings, Inc. (2012 to present); Director and President of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.); Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

LORNA PATAJO-KAPUNAN, age 64, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc.(2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015). Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo, Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010). Bar Examiner, Mercantile Law (1988). The Outstanding Women In The Nations Service (TOWNS) Awardee – Corporate Law (1995) Filipinas Women Network (FWN) Influential Women Award (2016); Columnist, Business Mirror “Legally Speaking”; Program Host/Commentator “Laban Para Sa Karapatan” DWIZ, 882 AM.

JOSHUA L. CASTRO, age 43, Filipino, Vice President (April 2017 to present) and Assistant Corporate Secretary (2006 to present) of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. (2006 to present) and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation (2006 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2006 to present), Anscor Holdings, Inc. (2012 to present), and The Andres Soriano Foundation, Inc. (2006 to present). Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

SALOME M. BUHION, age 45, Filipino, Assistant Vice President - Accounting (April 2017 to present) and Accounting Manager (January 1998 to April 2017) of the Company; Assistant Manager, Business System Division (Support Management Group), Equitable PCI Bank, (1997); Auditor, SyCip Gorres Velayo & Co. (1994 to 1997); Certified Public Accountant.

MA. VICTORIA L. CRUZ, age 53, Filipino, Assistant Vice President of the Company (April 2017 to present); Executive Secretary to the Chairman (September 1998 to March 2017). Ms. Cruz was formerly the Executive Assistant to the Head of Mission of the Embassy of Peru. She also worked with Shangri-La’s Mactan Island Resort, John Clements Consultant’s Inc. and the Mandarin Oriental Hotel, Manila. She received a Bachelor of Science degree major in Business Management from De La Salle University in 1984.

Ownership Structure and Parent Company

The registrant has no parent company.

Family Relationship

Andres Soriano III and Eduardo J. Soriano are brothers. There are no other family relationships known to the Company.

Executive Officers and Significant Employees

There are no significant employees.

Legal Proceedings

For the last five years and as of 28 February 2018, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

Certain Relationship and Related Transactions

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

Resignation of Directors

Since the date of the last annual meeting, no incumbent Director has resigned or declined to stand for re-election to the Board of Directors due to disagreement with Management.

Compensation of Directors and Executive Officers

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

Name	Principal Position	Compensation		
		2016 Actual	2017 Actual	2018 (Estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano	Vice Chairman & Treasurer			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
William H. Ottiger	Senior Vice President & Corporate Development Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Lorenzo D. Lasco	Vice President			
Joshua L. Castro	Vice President & Assistant Corporate Secretary			
Salome M. Buhion	Assistant Vice President			

Ma. Victoria L. Cruz	Assistant Vice President			
Salaries		P 63,776,790.94	P 64,552,201.10	P 65,465,117.00
Benefits		2,127,602.00	2,003,939.00	2,003,939.00
Bonus		41,440,000.00	48,665,000.00	51,750,000.00
Sub-Total Top Executive		**107,344,392.94**	**115,221,140.10**	**119,219,056.00**
Other Directors		**14,122,857.14**	**15,602,857.14**	**15,927,857.14**
Total		**P 121,467,250.08**	**P 130,823,997.24**	**P 135,146,913.14**

Employment Contracts and Termination of Employment and Change-in Control Arrangements

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

Warrants and Options Outstanding

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

Compliance with Leading Practice on Corporate Governance

As part of the Company's continuing efforts to comply with leading practice on corporate governance, on 10 March 2010, the Company submitted to the SEC and PSE its revised Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 6, Series of 2009. The Manual on Corporate Governance was further revised on 18 February 2011 to comply with additional requirements of the SEC. On 02 July 2014, the Company submitted to the SEC and PSE its Amended Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 9, Series of 2014.

With the promulgation of the Code of Corporate Governance for Publicly Listed Companies under SEC Memorandum Circular No. 19 dated November 22, 2016, the Company submitted to the SEC and PSE its Manual on Corporate Governance in compliance with said Circular. This Manual superseded all previous Manuals on Corporate Governance of the Company including its revisions.

All the revisions to the Manual on Corporate Governance are discussed and deliberated upon by the Board of Directors prior to its approval and subsequent submission to the SEC.

The Board of Directors and Management evaluates on an annual basis, the Company's compliance with the Manual on Corporate Governance. The different Board Committees also evaluate the level of compliance with the Manual on Corporate Governance.

The Company continues to improve its systems and processes to enhance adherence and fully comply with leading practices on good corporate governance. These improvements will be contained in the Company's Integrated Annual Corporate Governance Report and updates thereto to be submitted to the SEC. Further, Directors of the Company are required, before assuming office and annually thereafter, to attend a seminar on Corporate Governance conducted by a duly recognized private or government institution.

Likewise, following SEC's thrust to promote a better corporate governance environment, the Company complied with SEC Memorandum Circular No. 11, Series of 2014, which provides for template for publicly-listed companies' websites. The Company's website contains all the items indicated in said Circular.

As of 28 February 2018, there were no deviations from the Company's Manual on Corporate Governance.

Appointment of Independent Auditors

SyCip Gorres Velayo & Co. (SGV) has been the Company's independent auditors since its establishment in 1946. They will again be nominated for reappointment and presented for approval by the stockholders during the stockholders' meeting as external auditors for the ensuing calendar year. Unless marked to the contrary, proxies received will be voted FOR the appointment of SGV as the independent auditors for the ensuing year. The Management recommends a vote FOR the appointment of SGV as independent auditors of the Company for the ensuing year.

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

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

In compliance with SRC Rule 68 paragraph 3(b) (IV) (Rotation of External Auditors), the SGV audit partner, as of December 2017, is Ms. Julie Christine C. Ong-Mateo who is on her fourth year of audit engagement.

Audit and Audit Related Fees

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

Year	Audit Fees
2017	**P 1,362,800**
2016	P 1,155,000

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

Tax Consultancy and Other Fees

No tax consultancy fees were paid by the Company to SGV for the year 2017.

FINANCIAL AND OTHER INFORMATION

Management's Discussion and Analysis of Operation

Description of General Nature and Scope of Business

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

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

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

In 2017, Anscor was able to manage expenses, and improve business margins and profitability of most of its operating units.

As of 31st December 2017, the Company's consolidated total assets stood at P22.5 billion. For the year ended 31st December 2017, consolidated revenues of the Company amounted to P11.7 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries/associates as of December 31, 2017:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
AGP International Holdings, Ltd.	27%	Modular Steel Engineering / Construction	British Virgin Island
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	Houston, Texas, United States
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
AFC Agribusiness Corporation	81%	Agricultural Land Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Investment Holding	Philippines
Prople Limited, Inc.	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Behavior Matrix, LLC	21%	Behavior Analytics Services	USA
ATRAM Investment Management Partner Corp.	20%	Asset Management	Philippines
Direct WithHotels	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Below are the Key Performance Indicators of the Group:

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

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Sale of goods - net	**₱7,188,995**	₱6,608,155	₱6,102,269
Services	**3,080,921**	3,483,481	2,747,521
Sale of real estate	**–**	633,912	293,036
Dividend income	**270,687**	218,798	209,652
Interest income	**98,879**	95,312	83,315
Equity in net earnings (losses)	**(497,099)**	(72,774)	153,954
	10,142,383	10,966,884	9,589,747
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments	**433,166**	555,619	1,091,213
Long-term investments	**1,097,862**	343,158	–
Gain (loss) on increase (decrease) in market values of FVPL investments	**10,658**	20,589	(25,654)
	1,541,686	919,366	1,065,559
TOTAL	**11,684,069**	11,886,250	10,655,306
INCOME BEFORE INCOME TAX	**1,872,471**	2,113,987	1,672,659
PROVISION FOR INCOME TAX	**250,743**	423,696	309,398
NET INCOME	**₱1,621,728**	₱1,690,291	₱1,363,262
Net Income Attributable to:			
Equity holders of the Parent	**₱1,580,820**	₱1,522,797	₱1,282,783
Noncontrolling interests	**40,908**	167,494	80,479
	₱1,621,728	₱1,690,291	₱1,363,262
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent	**₱1.29**	₱1.24	₱1.03

<u>Year 2017 Financial Performance</u>

In 2017 consolidated revenue reached P11.7 billion, marginally lower than the P11.9 billion registered in 2016. The Company's consolidated net income improved slightly from P1.5 billion to P1.6 billion and was driven by gains from the sale of operating investments and income from the sale of publicly traded equities, dividends and interest.

Anscor realized a P1.1 billion gain from divesting Cirrus Medical Staffing, Inc., a US healthcare staffing business, and Enderun Colleges, Inc., which generated an additional P83.8 million of income.

Gains from the sale of marketable securities fell to P334.7 million, from P551.2 million in 2016, due to the decision to defer the sale of certain publicly traded shares that are expected to realize higher gains in the future. Dividend income improved by 24%, to P270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Interest income of P98.9 million was slightly higher than last year. Consolidated foreign exchange losses amounted to P17.9 million in 2017.

Anscor paid down US$ 11.25 million of debt and leaving a loan balance of US$ 20.25 million at the end of 2017. The book value per share of Anscor increased from P13.17 to P15.21 as of December 31, 2017.

Anscor declared a dividend of P0.50 per share, P0.20 per share regular and P0.30 per share special, to shareholders of record as of March 26, 2018.

<u>The Soriano Group Operations</u>

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

PDP continues to make progress in its goal of transforming from a provider of goods to a provider of solutions to its customers. In 2017, PDP won a significant number of new customers by offering value-added products and technical services. New products and services reached 14% of total revenues, with value-added aluminum products and power cable solutions as the main contributors.

PDP's focus on the regions outside the National Capital Region was rewarded by a 32% growth in sales in these areas, as it expanded its dealer network and secured significant projects.

Total revenues grew by 9%, from P6.6 billion to P 7.2 billion, driven by the rise of copper prices, while sales volume was maintained. Numerous projects faced completion interruptions which delayed PDP's deliveries.
In 2017, margins returned to a more normal range, relative to the prior period. The unanticipated increase in copper price was detrimental to the company's margins, as prices could not be adjusted fast enough to reflect the higher input costs. There was also substantial resistance to price increases because customers faced similar pressure to control their own project costs. As a result, profits declined from P750.6 million to P543.7 million.

Despite the lower profit in 2017, PDP continues to generate a 22% return on equity and remains focused on reducing costs through value engineering, higher machine and material efficiencies, and lean manufacturing.

PDP will continue to pursue programs to increase products and services to ensure that its customers get the best value. The company's basket of new products and services is intended to reduce developers' cost, while still maintaining the quality and safety for which PDP products are known. PDP reached its target of zero accidents and is proud of its safety record.

During the year, PDP paid Anscor a cash dividend and a management fee of P250.0 million and P62.4 million, respectively.

SEVEN SEAS RESORTS AND LEISURE, INC. (OWNER OF AMANPULO RESORT)

Amanpulo surpassed its targets in 2017. The average occupancy rate increased from 44.4% to 55.2% and room nights sold grew by 24%, with local tourists representing 38% of total occupancy. Partnerships with local businesses and packages targeted at the Korean and Japanese markets helped improve occupancy. Revenue grew by 27% to P 861.2 million in 2017, despite the average room rate falling 9% to US$1,149. The appreciation of the US dollar vis-à-vis the Philippine peso also contributed to higher revenues. The average exchange rate in 2017 was P50.42 to US$ 1 against P47.47 in 2016.

Amanpulo's gross operating profit amounted to P335.8 million, 39% higher than last year, and net profit rose 171%, from P36.7 million to P99.5 million in 2017. The consolidated net income of Seven Seas amounted to P100.5 million, lower than the consolidated profit of P 379.5 million in 2016, which included the gain from the sale of two villas.

Several programs were initiated to address the Resort's various constituents. To avoid further beach erosion, P17.0 million was spent to plug holes in the reef on the eastern side of the island. The organic farm was expanded to support the Food & Beverage department's farm-to-table initiative. A new power generating unit became fully operational in September 2017 and will help lower energy expenses in the years to come and staff facilities were enhanced.

AG&P INTERNATIONAL HOLDINGS, LTD.

In 2017, AG&P's continued its push into the rapidly emerging liquefied natural gas (LNG) sector and made modest gains in its traditional modularization and onsite construction business. It delivered a net income of US$16.9 million.

During the year, AG&P opened an office in Houston, Texas dedicated to advanced LNG engineering, and finalized joint ventures in Indonesia, for LNG development, and in Western India for the distribution of LNG. Financing for these projects is under negotiation.

AG&P is in the process of raising critically needed equity to fund future projects and strengthen its balance sheet in the first half of 2018.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (AIMP)

ATRAM Investment Management Partners Corp. ("ATRAM") focuses on asset and wealth management and financial technology. In 2017, Anscor increased its stake in ATRAM from 10% to 20%.

At the end of 2017, ATRAM had assets under management ("AUM") of P114.9 billion, 41% higher than 2016. The growth in AUM is attributed to the robust performance of the managed portfolios and strong inflows from new clients.

ATRAM reported a consolidated net income of P36.2 million in 2017, a 62% increase from 2016. On December 22, 2017, ATRAM redeemed P12.3 million worth of non-voting preferred stock held by Anscor.

The Asset, a financial publication which recognizes Asian companies that have excelled in their respective industries, awarded ATRAM the "Rising Star – Philippines" in 2017 for its excellence in fund management.

KSA REALTY CORPORATION

KSA Realty Corporation is a subsidiary of Shang Properties, Inc. and is the owner of The Enterprise Center ("TEC"), one of the most prestigious addresses in the country's premier financial district.

In 2017, TEC underwent a P450.0 million upgrade and enjoyed an occupancy rate of 97%. Due to the high demand for office spaces, KSA increased its leasable space by 2,000 square meters by converting part of the food court into office spaces and acquiring one floor from a previous owner.
The average rental rate at the end of the year was at P1,260 per square meter, 6% higher than the end of 2016. Rental rates have grown steadily and continue to be one of the highest in the Makati Central Business District.

TEC's higher rental yield and additional leasable space improved its gross rental revenue by 9%, from P 1.1 billion in 2016 to P 1.2 billion in 2017. Net income before revaluation gains increased by 10%, from P843.0 million in 2016 to P 931.0 million in 2017.

KSA paid cash dividends of P 800.0 million, of which P 114.2 million accrued to Anscor.

STARTUP VENTURES

A portion of the Company's assets are dedicated to early stage and private equity opportunities.

Anscor, through a wholly-owned subsidiary, has invested $3.0 million in YmAbs Therapeutics Inc., a US-based clinical stage biopharmaceutical company focused on developing new cancer treatments through immunotherapies. Its treatments could potentially reduce longer-term toxicities associated with current chemotherapeutics and provide the potential for curative therapy, even for patients with widespread disease. YmAbs' goal is to drive multiple-product candidates in select cancers to Food and Drug Administration licensure. Each candidate has the potential to treat a variety of high-risk cancers.

In 2017, Anscor invested $2.0 million in Element Data, a Seattle, Washington-based Artificial Intelligence Company. Its decision intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

In October 2017, Element Data acquired all of the intellectual property of another Anscor portfolio holding, Behavior Matrix, a US-based data analytics firm focused on analyzing consumer emotions.

Anscor also made a new US$1.0 million investment in Madaket Healthcare. Madaket is an innovative software service platform that automates healthcare provider data management processes. The average US healthcare provider works with 25 insurance companies. Before receiving payment, each insurer requires a unique set of enrollment forms, procedures and data to be submitted, even for common provider-payer transactions. Madaket automates the enrollment process and ensures that the right information is sent to each applicable payer, resulting in less documentation and faster payment. It has 1.2 million providers under contract for Electronic Data Interchange Enrollment.

In 2017, Anscor made a significant financial commitment to Sierra Madre Philippines, a newly formed private equity fund staffed by experienced private equity professionals and local operators. The fund will provide growth capital to small and mid-sized Philippine companies. Last year was devoted to developing a transaction pipeline and the Fund expects to begin deploying capital in 2018.

Other Information

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

Business Development

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

Business of the Issuer

- Distribution methods of the products or services
- Status of any publicly-announced new product and services
- Competition
- Transaction with and/or related parties (except those disclosed in the notes to financial statements)
- Patents, trademarks, copyrights, licenses, franchises, royalty, etc.
- Need for any government approval of principal products and services
- Effect of existing or probable governmental regulations on the business
- The amount spent on development activities and its percentage to revenues during each of the last three years.

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

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

	Periods ended December 31	
	2017	2016
Revenues (excluding investment gains or losses)	**919,499**	939,550
Investment Gains	**443,825**	815,206

Net Income	**1,072,980**	1,004,230
Earnings Per Share	**0.43**	0.40
Market Price Per Share (PSE)	**7.05**	6.00

Significant financial indicators of the Group are the following:

	12/31/2017	12/31/2016	12/31/2015
Book Value Per Share (Note 1)	**15.21**	13.17	10.99
Current Ratio (Note 2)	**3.71**	3.01	2.13
Interest Rate Coverage Ratio (Note 3)	**21.68**	20.39	15.35
Debt to Equity Ratio (Note 4)	**0.19**	0.29	0.41
Asset to Equity Ratio (Note 5)	**1.22**	1.33	1.44
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**13.53%**	12.81%	12.10%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**8.54%**	9.38%	9.46%

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

<u>The Key Financial Indicators of our Major Subsidiaries are the following:</u>

PDP Energy and PDIPI

In Million Pesos

	12/31/2017	12/31/2016	12/31/2015
1. Net sales	**7,189**	6,608	6,102
2. Gross profit	**1,120**	1,420	1,170
3. Net income	**544**	751	574

Seven Seas Group

In Million Pesos

	12/31/2017	12/31/2016	12/31/2015
1. Occupancy rate	**55.2%**	44.4%	47.2%
2. Hotel revenue	**861.2**	679.0	644.5
3. Gross operating profit (GOP)	**335.8**	240.4	196.7

4. GOP ratio	**39.0%**	35.4%	30.5%
5. Resort net income	**99.5**	36.7	6.3
6. Villa development/lease net income	**1.0**	342.9	159.7
7. Consolidated net income	**100.5**	379.5	166.0

Occupancy rate is based on actual room nights sold over room nights on a 12-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

Outlook and Investment Strategy

With the National Economic and Development Authority's target band for growth in 2018 projected at 7 to 8%, Anscor will continue to maintain its strategy of diversification through a balanced portfolio of financial and operating assets. Proceeds from divestments will go to new investments, whether they be startup or private equity ventures, with promising business propositions.

Employees

The Company and the Group as of December 31, 2017, has 24 and 678 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	12	183	195
Rank and file	12	471	483
TOTAL	**24**	**654**	**678**

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

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

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

Properties

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

Information regarding properties of major subsidiaries and affiliates are:

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

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. Additional 64 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2017.

- AHI has interests in land covering an area of approximately 111.4 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 36.9 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

Other Information:

- The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.

- There were no commitments for major capital expenditures or acquisitions of properties in the next twelve months.

Financial Condition

There was no significant change in the Company's Balance Sheet as of December 31, 2017 versus December 31, 2016 except for the sale of Cirrus Staffing Medical, Inc., (Cirrus), US-based staffing businesses, through its wholly owned subsidiary.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2017 and 2016.

Cash and Cash Equivalents

The increase in cash and cash equivalents can be attributed to net cash flows from operating and investing activities amounting to P2.4 billion offset by cash used in financing activities of P1.6 billion.

Net proceeds from the sale of 93.6% shareholdings of Anscor to Cirrus amounted to $30.1 million.

Also, the net cash effect of deconsolidating Cirrus decreases cash and cash equivalents amounting to P50.7 million.

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

Fair Value Through Profit and Loss (FVPL) Investments

The increase in the account can be attributed to the net addition for the period of about P97.1 million. The market value of foreign denominated investment in bonds, stocks and funds increased by P10.7 million vs. December 31, 2016 values. Unrealized foreign exchange loss related to foreign denominated investments amounted to P21.4 million.

Receivables

The decrease in receivables was mainly due to deconsolidation of the US-based staffing businesses. The receivable of Cirrus as of December 31, 2016, amounted to P431.8 billion.

Inventories

The increase was due to higher level of finished goods and work-in-process and spare parts inventories of the wire manufacturing subsidiary and operating supplies of the resort subsidiary.

Other Current Assets

Decrease in this account can be attributed mainly to prepaid expenses related to wire manufacturing and resort operations which were expensed out.

Available for Sale (AFS) Investments

Net increase in this account amounted to P1.2 billion. There was an increase in market value of AFS investments of about P1.1 billion, net addition of P 116.4 million and cumulative translation adjustment of P103.4 million partially offset by the set-up of impairment provision of P125.6 million.

Investments and Advances

The decrease in investments and advances was mainly due to impairment provision of P500.0 million, reduced by the additional investment of P116.5 million in ATRAM Investment Management and unrealized foreign exchange gain related to foreign equity investment amounting to P9.4 million.

Additional advances for the year amounted P79.5 million

Goodwill

The decrease in goodwill was due to deconsolidation of the US-based staffing businesses as a result of the sale of Cirrus Group.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P252.1 million while net additions to property and equipment amounted to P228.7 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries. Net increase amounted to P19.5 million.

Retirement Plan Assets

Changes in the retirement plant asset arises mainly from additional contribution to the plan assets and higher return on plan assets.

Other Noncurrent Assets

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

Notes Payable

The 2016 notes payable represent the unsecured, short-term liability of Cirrus. Cirrus was deconsolidated in 2017.

Accounts Payable and Accrued Expenses

The effect of deconsolidating Cirrus reduces the account balance by P61.2 million.

Dividends Payable

Increase in the dividends payable was due to dividend checks issued in 2017 that were returned by the post office and which remained outstanding as of December 31, 2017 due to problematic addresses of some of the Company's stockholders.

Income Tax Payable

Movement in the account was attributable to the reduction in the tax provision of PDP and the Resort Group for 2017. Also, Cirrus was no longer part of December 31, 2017 consolidated balances.

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to payment by the Parent Company and PDP of the loan principals in 2017 offset by unrealized foreign exchange loss of P11.7 million from the translation of the foreign denominated loan as of December 31, 2017.

Deferred Income Tax Liabilities

Decrease in the account balance can be attributed to deferred income liability of Cirrus which was no longer part of December 31, 2017 consolidated balances.

Retirement Benefits Payable

Changes in the account resulted from remeasurement of retirement benefits payable and changes in the financial assumptions.

Cumulative Translation Adjustment (CTA)
This account includes translation adjustments of Anscor International, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC. The significant decrease in the account was mainly due to deconsolidation of Cirrus Medical Staffing Group.

Unrealized Valuation Gains on AFS Investments (equity portion)
The increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to P1.1 billion from January 1 to December 31, 2017.

Remeasurement on Retirement Benefits
The increase the account was mainly due to net effect of the increase in the retirement plan asset less retirement benefits payable as projected salary increase of employees of the Group did not materialize.

Noncontrolling Interest
Decrease in noncontrolling interests was mainly due to deconsolidation of Cirrus Medical Staffing, Inc. and share in losses of minority shareholders of Cirrus Global, Inc. for the year ended December 31, 2017.

Others
There were no commitments for major capital expenditures in 2017.

Results of Operation

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

The discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2017 as compared to consolidated results for the year ended December 31, 2016:

Revenues
This year's consolidated gross revenues of P11.7 billion was lower by P202.2 million from last year's revenue of P11.9 billion. The Group realized a P1.1 billion gain from divesting Cirrus Medical Staffing, Inc. Gains from the sale of AFS investments fell to P433.2 million, from P555.6 million in 2016, due to the decision to defer the sale of certain publicly traded shares that are expected to realize higher gains in the future. These decreases in revenues were offset by dividend income which improved by 24%, to P270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Service revenue of Cirrus Medical Staffing was consolidated only up to October 19, 2017. Also, the Group recognized revenue from the sale of two (2) villas by Seven Seas amounting to P635.5 million in 2016.

Cost of Services Rendered
Cost of service rendered of Cirrus Medical Staffing was consolidated only up to October 19, 2017, which primarily decreased the cost of services for 2017.

Cost of Goods Sold
Increase in cost of goods sold was due to higher manufacturing costs of PDP attributable to higher copper price.

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

Operating Expenses
The Group reported higher operating expenses for 2017 mainly due to bonus paid to an officer arising from the sale of Cirrus Medical Staffing Group and increased expenses of Resort due to higher occupancy.

Interest Expense
Amount in 2017 was slightly lower than 2016 due to payment of long-term loan by the Parent Company and PDP.

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

Others Charges – Net
For 2017, the Parent Company provided valuation allowances for AFS investments amounting to P125.6 million. Valuation allowances in 2016 were higher at P590.9 million.

Provision for Income Tax - Net
The current provision for income tax of the Group decreased mainly due to lower income of PDP. Also, Cirrus income tax was consolidated only up to October 19, 2017.

Noncontrolling Interests (Statements of Income)
Decrease was mainly due deconsolidation of Cirrus Medical Staffing.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015 (as reported in 2016 SEC 17-A)

Revenues

This year's consolidated gross revenues of P11.9 billion was higher by P1.2 billion from last year revenue of P10.7 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by P736.0 million or 26.8%, offset by lower investment gains by P146.2 million due mainly to lower gain on sale of traded shares. Also, the Group recognized a revenue from the sale of two (2) villas by Seven Seas amounting to P633.9 million in 2016.

Cost of Goods Sold/Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of services of nurse staffing business due to improvement in its revenues while the increase in cost of goods sold can be attributed to the manufacturing subsidiary.

Operating Expenses

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

Cost of Real Estate

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

Foreign Exchange (Gain) Loss

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

Interest Expense

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

Others Income (charges) - net

For 2016, the Parent Company provided valuation allowances for AFS investments amounting to P590.9 million. Valuation allowances in 2015 were higher at P805.2 million.

Provision for Income Tax - net

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

Minority Interests (statements of income)

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

<u>Year Ended December 31, 2015 Compared with Year Ended December 31, 2014 (as reported in 2015 SEC 17-A)</u>

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

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

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

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

Foreign Exchange Loss
Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange loss on its dollar denominated loan, partially offset by foreign exchange gain on foreign currency denominated investment holdings of the Parent Company.

Other Income (Charges) – net
Change in the account was mainly due to valuation allowances of P802.8 million recorded by the parent company for its investments.

Provision for Income Tax - net
The current provision for income tax of the group increased due to consolidation of PDP's income tax expense for the period January 1 to December 31, 2015.

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

<u>Changes in Accounting Policies</u>
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- *Amendments to PFRS 12, Disclosure of Interests in Other Entities, 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.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements.
- Amendments to Philippine Accounting Standards (PAS) PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 31 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- 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 upon the reversal of the deductible temporary difference related to unrealized losses. 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.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary difference or assets that are in the scope of the amendments.

New Accounting Standards, Interpretations and Amendments
<u>to Existing Standards Effective Subsequent to December 31, 2017</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

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

- *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. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  In 2017, the Group performed its initial impact assessment of all phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Group when it adopts PFRS 9 in 2018.

  (a) Classification and measurement

  Debt securities currently held as available-for-sale (AFS) under PAS 39 are expected to be classified as at fair value through other comprehensive income (FVOCI) as these are held both to collect contractual cash flows and to sell. Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement. However, the Group is still finalizing its assessment on whether the contractual cash flows of these debt financial assets are solely payments of principal and interest (SPPI) to be able to conclude that these instruments are eligible for amortized cost or FVOCI measurement.

  Quoted and unquoted equity shares currently held as AFS are expected to be measured at fair value through profit or loss, which will increase volatility in profit or loss. The Group is in the process of determining how to measure the fair value of the unquoted investments.

  (b) Impairment

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality. The Group is currently quantifying the impact of the change in measuring credit losses.

- 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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying 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 retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date.

  The Group is still in the process of determining the impact on its consolidated financial statements. In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- 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.

- 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. Alternatively, an entity, 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.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Entities shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements 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.

Tax Reform for Acceleration and Inclusion Act (TRAIN) Law

- Republic Act (RA) No.10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as at the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as at the reporting date.

Other Financial information

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

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

- There were no commitments for major capital expenditures in 2017 and onwards.

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

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

- There is no other change in composition of the registrant, no restructuring, except the business combination mentioned above.

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

Legal Proceedings

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

   ASAC recognized accruals amounting to ₱1.1 million as at December 31, 2017 and 2016 for the Concessionaire's Privilege Fees which covers the subleasing that the MIAA is set to bill ASAC.

b. ASAC is a defendant in labor lawsuits and claims. As at December 31, 2017 and 2016 management has recognized provisions for losses amounting to ₱5.7 million (see Note 18) that may be incurred from these lawsuits.

c. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in their normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2017 and 2016, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

Financial Statements

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

2. The financial statements were prepared in accordance with the disclosures required by SRC Rules 68 and 68.1, current PFRS/IAS.

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

Audited Financial Statements

The audited Financial Statements as of 31 December 2017 is attached herewith as Annex "F".

Action with Respect to Reports

The following reports/minutes shall be submitted for approval/ratification:

Approval of Minutes of Annual Meeting of Stockholders on 19 April 2017

The Minutes of Annual Meeting of Stockholders of the Company held on 19 April 2017 (“Minutes”) will be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholders’ approval and action on those items had already been obtained in that meeting and subsequently carried out.

The Minutes and related records are available for inspection at the office of the Company during business hours. In addition, copies of the Minutes shall be posted at the meeting site.

Summary of the Minutes of 19 April 2017:

In the Annual Stockholders’ Meeting the following were taken up:

1. Approval of the Annual Report and Audited Financial Statements as of 31 December 2016 and ratification of all acts, contracts, investments and resolutions of the Board as set forth in the minutes of the Board of Directors.
2. Election of the members of the Board of Directors.
3. Appointment of external auditors.

In the organizational meeting that followed after the Stockholders’ Meeting, the Executive Officers were re-elected and the members of the Audit Committee, Executive Committee, Compensation Committee, and Nomination Committee were re-appointed.

Approval of 2017 Audited Financial Statements

The Audited Financial Statements of the Company for the period ended 31 December 2017 will be submitted for approval of the stockholders at the Annual Meeting.

SGV had examined the Financial Statements in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of the presentation in their report to the Board of Directors and Stockholders of the Company. The information and representation in the Financial Statements are the responsibility of Company’s Management.

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since February 22, 2017 Meeting.

As a matter of corporate policy, Management seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since 22 February 2017. These are reflected in the Minutes of the meetings of the Board of Directors in their regular reports and disclosures to the Securities and Exchange Commission, and the Philippine Stock Exchange, and in the 2017 Annual Report of the Company. For reference, attached herewith **(Annex A)** is a list of all the resolutions approved by the Board of Directors since 22 February 2017 which are the subject of ratification by the stockholders.

Voting Procedures

SyCip Gorres Velayo & Co., the Independent Auditors elected as Board of Election Inspectors in the last Annual Meeting, has signified no changes in the voting procedures, which will be the same as in the previous years.

Stockholders as of 16 March 2018 may vote at the scheduled Stockholders Meeting.

Registration of stockholders and proxies attending the meeting will open at 9:00 a.m. on 18 April 2018.

As in previous meetings of stockholders, considering that only seven (7) were nominated to fill the seven (7) seats of the Board of Directors, there was no balloting conducted.

In case of balloting, only stockholders and proxies who have previously registered will be given ballots. The ballots will be distributed at the registration booths. Upon being given a ballot, a stockholder/proxy should sign the stockholder/proxy registration list beside his/her signature placed earlier during registration.

After casting his/her vote, the stockholder/proxy may place his/her ballot inside any of the ballot boxes clearly marked as such and located at designated areas at the place of the meeting. Stockholders/proxies will be given a sufficient period of time to vote. Thereafter, SyCip Gorres Velayo & Co. will proceed to collect the ballot boxes and canvass the votes.

All questions and elections shall be decided by majority vote of stockholders present and in proxy and entitled to vote thereat.

Other Matters

As of the date hereof, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting. If other matters come before the meeting, the proxy holders will vote in accordance with his best judgment with respect to such matters that are not known to the solicitors at a reasonable time before the solicitation is made.

The Company shall provide to the stockholders, without charge, on written request the Annual Report of the Company on SEC Form 17-A. All such requests for a copy of the Annual Report shall be directed to the Corporate Secretary, 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, Philippines.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 21 March 2018.

LORNA PATAJO-KAPUNAN
Corporate Secretary

Market Information

The Principal Market where the registrant's Common equity is traded:

Philippine Stock Exchange
Latest Market Price – 28 February 2018

Previous close	**High**	**Low**	**Close**
7.56	7.74	7.56	7.64

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

	2017		2016	
Quarter	**High**	**Low**	High	Low
First	**6.46**	**5.90**	6.30	5.81
Second	**6.95**	**6.00**	6.28	5.95
Third	**7.14**	**6.32**	6.50	6.00
Fourth	**7.09**	**6.70**	6.20	5.71

Source: PSE Report

The total number of stockholders/accounts as of 28 February 2018 is 11,159 holding 2,500,000,000 shares of common stock.

Dividends

In 2017, the Board of Directors declared the following cash dividends:

Classification	**Peso Rate Per Share**	**Declaration Date**	**Record Date**	**Payable Date**
Regular	**0.20**	**22-Feb-17**	**9-Mar-2017**	**4-Apr-2017**

The cash dividends declared by the Board of Directors in 2016 was:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	0.20	2-Mar-16	23-Mar-16	29-Apr-16

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of 31 December 2017, the Company has sufficient retained earnings available for dividend declaration.

On February 22, 2018, Board of Directors approved the declaration of P0.50 per share (P0.30 per share special and P0.20 per share regular) to stockholders of record as of March 26, 2018, to be paid on April 18, 2018.

Security Holders

The top 20 stockholders as of 28 February 2018 are as follows:

	Stockholder Name	Number of Common Shares	% of Ownership
1.	Anscor Consolidated Corporation	902,172,303	36.087
2.	PCD Nominee Corp. (Filipino)	511,168,021	20.447
3.	PCD Nominee Corp. (Non-Filipino)	455,825,819	18.233
4.	A-Z Asia Limited Philippines, Inc.	169,646,329	6.786
5.	Universal Robina Corporation	64,605,739	2.584
6.	Philippines International Life Insurance Co., Inc.	55,002,875	2.200
7.	Andres Soriano III	50,490,265	2.020
8.	C & E Holdings, Inc.	28,011,922	1.120
9.	Edmen Property Holdings, Inc.	27,511,925	1.100
10.	MCMS Property Holdings, Inc.	26,513,928	1.061
11.	Express Holdings, Inc.	23,210,457	0.928
12.	EJS Holdings, Inc.	15,518,782	0.621
13.	Intelli Searchrev Corporation	8,785,600	0.351
14.	DAO Investment & Management Corporation	8,628,406	0.345
15.	Philippines Remnants Co., Inc.	7,556,183	0.302
16.	Astraea Bizzara Corporation	3,292,615	0.132
17.	Balangingi Shipping Corporation	2,767,187	0.111
18.	Northpaw Incorporated	2,705,000	0.108
19.	Jocelyn C. Lee	2,000,000	0.080
20.	Lennie C. Lee	2,000,000	0.080
	Total	2,367,413,356	94.696

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

ANNEX A

Resolutions Approved During the Meetings of the Board of Directors of A. Soriano Corporation for the Period February 22, 2017 to February 22, 2018

1. <u>Board Meeting held on February 22, 2017</u>

1.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of A. Soriano Corporation for the year ended December 31, 2016 is hereby approved.

1.2 The Board proceeded to approve the record date, proxy validation date and the date of the Annual Stockholders' Meeting as follows:

Record Date – March 20, 2017
Proxy Validation Date – April 10, 2017
Date of Stockholders' Meeting – April 19, 2017

1.3 RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, a cash dividend of Twenty Centavos (P0.20) per share on the common stock of the Corporation, payable on April 4, 2017, to all stockholders of record as of the close of business on March 9, 2017, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

1.4 RESOLVED, that the appropriation of unrestricted retained earnings of the Company for the years 2011 and 2013 amounting to P2.1 billion and P900 million, respectively, or a total amount of P3.0 billion is hereby extended for another three years for its business activities related to tourism, business process outsourcing, manpower services, education and manufacturing, whether based in the Philippines or offshore.

1.5 RESOLVED, as it is hereby resolved, that the Board of Directors of the Company approves the updates to its 2016 Annual Corporate Governance Report (ACGR) as follows:

- Date of election and the number of years served of the members of the Board of Directors;
- Directors' Directorship in the Company's Group;
- Shareholdings of Directors in the Company;
- Voting Result of the last Annual General Meeting;
- Programs and seminars attended by the Directors during the year;
- Number of Board meetings during the year and attendance of Directors;
- Aggregate remuneration of Executive Directors, Non-Executive Directors and Independent Directors;
- Remuneration of the Officers of the Company;
- Number of meetings of the Board Committees held during the year and the length of service of its members in their respective Committees;

- Updated profile or qualifications of the Audit Committee members
- Ownership structure of:
    a. Shareholders/Beneficial Owners
    b. Senior Management of the Company;
- External Auditor's Fee for the year 2015
- Date of release of 2016 audited financial report;
- Dividends declared by the Company;
- Details of attendance of stockholders meeting of the Company; and
- Definitive information statements and management report.

1.6 RESOLVED, That henceforth and until otherwise ordered by the Board of Directors, the following officers of the Corporation are authorized to deposit any of the funds of this Corporation in any of its depository banks, either at their head office or at any of their branches, and that any withdrawal or charge against the funds, properties or accounts of the Corporation with its depository banks, their subsidiaries and affiliates, including non-bank financial institutions, by way of checks, drafts, bills of exchange, acceptances, endorsements, undertakings, or other instruments or order involving payment or money or documents assigning, transferring and conveying rights to any fund or property of the Corporation, shall be signed, executed and delivered by the following authorized signatories:

Joint signatures of any two of the following:

Mr. Eduardo J. Soriano
Mr. Ernest K. Cuyegkeng
Mr. Jose C. Ibazeta
Atty. Joshua L. Castro

Provided, however, that in case of dividend checks drawn against the Company's accounts with the BANK OF THE PHILIPPINE ISLANDS, Pacific Star Branch, the lone signature of MR. ANDRES SORIANO III will suffice.

2. <u>Board Meeting held on April 19, 2017</u>

2.1 RESOLVED, That the Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board of Directors and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2016.

2.2 RESOLVED, as it is hereby resolved, that the updated Manual on Corporate Governance of the Corporation per SEC Memorandum Circular No. 19, Series of 2016 is approved.

2.3 RESOLVED, that A. SORIANO CORPORATION (the "Corporation") authorized, as it hereby authorizes, the sale of the shares of stock of Enderun Colleges, Inc. ("Enderun") in the name of the Corporation. For this purpose, the Corporation hereby appoints MR. ERNEST K. CUYEGKENG, Executive Vice President and Chief Financial Officer, as its authorized signatory, who is hereby empowered to do and perform all or any of the following acts and things: namely:

1. To sell, convey, transfer, assign or otherwise dispose of for such consideration, terms and conditions as the authorized signatory shall agree all of the Corporation's undivided title, rights and interests in and to the Enderun shares registered in the Corporation's name as owner in the books of Enderun;

2. To sign, execute and deliver a Share Purchase Agreement ("SPA") to be entered into by and among Le Penseur, Inc. and the current shareholders of Enderun, including the Corporation, which SPA defines the rights, obligations and liabilities of the parties thereto;

3. To sign, execute and deliver all documents as may be necessary, proper, convenient or appropriate in order to conclude and consummate the transactions contemplated under the SPA;

4. To represent the Principal in all meetings called for the purpose of reviewing, negotiating, finalizing and implementing the terms of the SPA among stockholders of Enderun or with other parties to the SPA;

5. To receive the proceeds of the sale or other disposition of the Corporation's shares in Enderun, to deposit and/or encash said proceeds even when the negotiable or non-negotiable instruments thereof are payable only to the Corporation;

6. To execute and file the requisite tax returns, and to pay the taxes on account thereof;

7. To prosecute and defend any and all suits, actions or proceedings with respect to the Corporation's shares in Enderun before any arbitral body, court or administrative agency, with the authority to retain services of counsel, and to terminate, compromise, settle and adjust the same; and

8. To do and perform all such other acts and things requisite and/or necessary to effectively carry out the above-mentioned purposes.

RESOLVED, FURTHER, that the Corporation hereby grants unto the authorized signatory the full power and authority to do, take and perform all and every act and thing whatsoever requisite, proper or necessary to be done in the exercise of any of the rights and powers hereby granted.

2.4 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Company") is hereby authorized to sell its unit at the 4th Floor of the Shipping Center with an area of 509.02 sq.m., covered by Condominium Certificate of Title No. 32094, to Carryone Holdings, Inc. for a total purchase price of Twenty Million Pesos (PHP20,000,000.00) and under such terms and conditions that may be for the best interest of the Company.

RESOLVED, FURTHER, that the Company's Executive Vice President and Chief Financial Officer, Mr. Ernest K. Cuyegkeng, is hereby authorized to sign any and all documents necessary to give full force and effect to the foregoing resolution

2.5 RESOLVED, That the Company is hereby authorized to purchase one (1) share in The Palms Country Club, at such price and under such terms and conditions as may be deemed beneficial to the Company; hereby authorizing Mr. Ernest K. Cuyegkeng, Executive Vice President and Chief Financial Officer, to sign any and all documents relative to the purchase.

RESOLVED, FURTHER, That Ms. Ma. Victoria L. Cruz, Assistant Vice President, is hereby appointed as the Company's nominee to The Palms Country Club and is hereby authorized to attend meetings and vote the Company's share.

2.6 RESOLVED, That the Company hereby appoints Ms. Salome M. Buhion Assistant Vice President-Accounting Dept., as the Company's nominee to The Metropolitan Club, replacing Atty. Joshua L. Castro; hereby authorizing Mr. Ernest K. Cuyegkeng, Executive Vice President and Chief Financial Officer, to sign any and all documents relative to the appointment of the aforesaid nominee.

3. Board Meeting held on August 30, 2017

3.1 RESOLVED, that the Board of Directors of the Corporation ratify, as it hereby ratifies and approves, its investment in Element Data amounting to US$1.0 million.

3.2 RESOLVED, that the Board of Directors of the Corporation ratify, as it hereby ratifies and approves, its investment in Madaket, Inc. amounting to US$1.0 million.

3.3 RESOLVED, that the Corporation hereby appoints and designates ATTY. JOSHUA L. CASTRO, Vice President and Assistant Corporate Secretary, as Data Protection Officer, with full powers and authority to represent and act for and in behalf of the Corporation in all its transactions with the NATIONAL PRIVACY COMMISSION with full capacity to sign and execute all documents necessary and pertinent to give full force and effect to the foregoing resolution.

3.4 RESOLVED, as it is hereby resolved, that the Corporation is authorized to invest in Fremont Holdings, Inc. (FHI) through the acquisition of the respective shareholdings of Andres Soriano III and Carlos Soriano in FHI equivalent to 25.5% of the total outstanding stock of FHI for the total amount of P179.5 million.

4. Board Meeting held on October 4, 2017

RESOLVED, as it is hereby resolved, that A. Soriano Corporation ("Anscor") through its wholly-owned British Virgin Island company, IQ Healthcare Investments Limited, is hereby authorized to enter 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$35.55 Million.

RESOLVED, FURTHER, that Mr. William H. Ottiger, is hereby authorized to sign any and all documents necessary to give full force and effect to the foregoing resolution.

5. Board Meeting held on November 29, 2017

5.1 RESOLVED, that the Board of Directors of the Corporation ratify, as it hereby ratifies and approves, its additional investment in Element Data amounting to US$1.0 million.

5.2 RESOLVED, as it is hereby resolved, that the Corporation is hereby authorized to offer for redemption its 18,750,000 Preferred Shares in ATRAM Investment Management Partners Corporation; hereby authorizing Mr. Ernest K. Cuyegkeng, Executive Vice President and Chief Financial Officer and Atty. Joshua L. Castro, Vice President and Assistant Corporate Secretary, to sign the Notice of Partial Redemption of Preferred Shares.

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng is authorized to sign and/or endorse the stock certificate and to sign any and all documents necessary to give full force to this resolution.

5.3 RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation file the appropriate case/s against Red Core Investments Corp., Tiaong Geothermal Power Corp., Tayabas Geothermal Power Corp., and San Juan Geothermal Power Corp. in order to enforce its rights under the Loan and Investment Agreement dated 10 January 2014;

RESOLVED FURTHER, that Atty. Joshua L. Castro, the Corporation's Vice President and Assistant Corporate Secretary or the Law Offices of PICAZO BUYCO TAN FIDER & SANTOS or any of its lawyers, be authorized and empowered to appear and act as the authorized representatives of the Corporation in the said case/s and in particular to perform any and all of the following:

a) to prepare or cause the preparation of, to verify, certify, sign and execute any and all pleadings, verifications/certifications, affidavits and other documents relating the aforementioned appropriate criminal and/or civil cases and subsequent proceedings related thereto including but not limited to any appeal, petition or recourse to higher or appellate offices, agencies, courts or tribunals;

b) to appear and represent the Corporation in any and all proceedings relating to the abovementioned case and/or all other related cases that have been filed or will be filed in connection with the abovementioned case and, in particular to consider:

1. The possibility of entering into an amicable settlement or of a submission to alternative modes of dispute resolution;
2. The simplification of the issues;
3. The necessity or desirability of amendments to the pleadings;
4. The possibility of obtaining stipulations or admissions of facts and of document to avoid unnecessary proof;
5. The limitation of the number of witnesses;
6. The advisability of a preliminary reference of issues to a commissioner;
7. The propriety of rendering judgment on the pleadings or summary judgment, or of dismissing the action should a valid ground therefor be found to exist;
8. The advisability or necessity of suspending the proceedings; and
9. Such other matters as may aid in the prompt disposition of the action.

c) to do, perform and consider all such matters as may be brought up during any stage of the proceedings therefor, such as to enter into stipulation of facts, simplification of issues, compromises and other acts related to the case under such terms and conditions as said attorney shall deem proper or necessary.

6. <u>Board Meeting held on February 22, 2018</u>

6.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of A. Soriano Corporation for the year ended December 31, 2017 is hereby approved.

6.2 The Board proceeded to approve the record date, proxy validation date and the date of the Annual Stockholders' Meeting as follows:

Record Date – March 16, 2018
Proxy Validation Date – April 10, 2018
Date of Stockholders' Meeting – April 18, 2018

6.3 RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, cash dividends as follows:

Regular Cash Dividend – Twenty Centavos (P0.20) per share
Special Cash Dividend – Thirty Centavos (P0.30) per share

on the common stock of the Corporation, both payable on April 18, 2018, to all stockholders of record as of the close of business on March 26, 2018, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

6.4 RESOLVED, that the appropriation of unrestricted retained earnings of the Company for the year 2017 amounting to P1.6 billion is hereby extended for another three years for its investment in business activities related to digital technology, services, retail and manufacturing, whether based in the Philippines or offshore.

SGV OPINION ON THE ANNEXES

A. SORIANO CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

ANNEX B

A. SORIANO CORPORATION AND SUBSIDIARIES

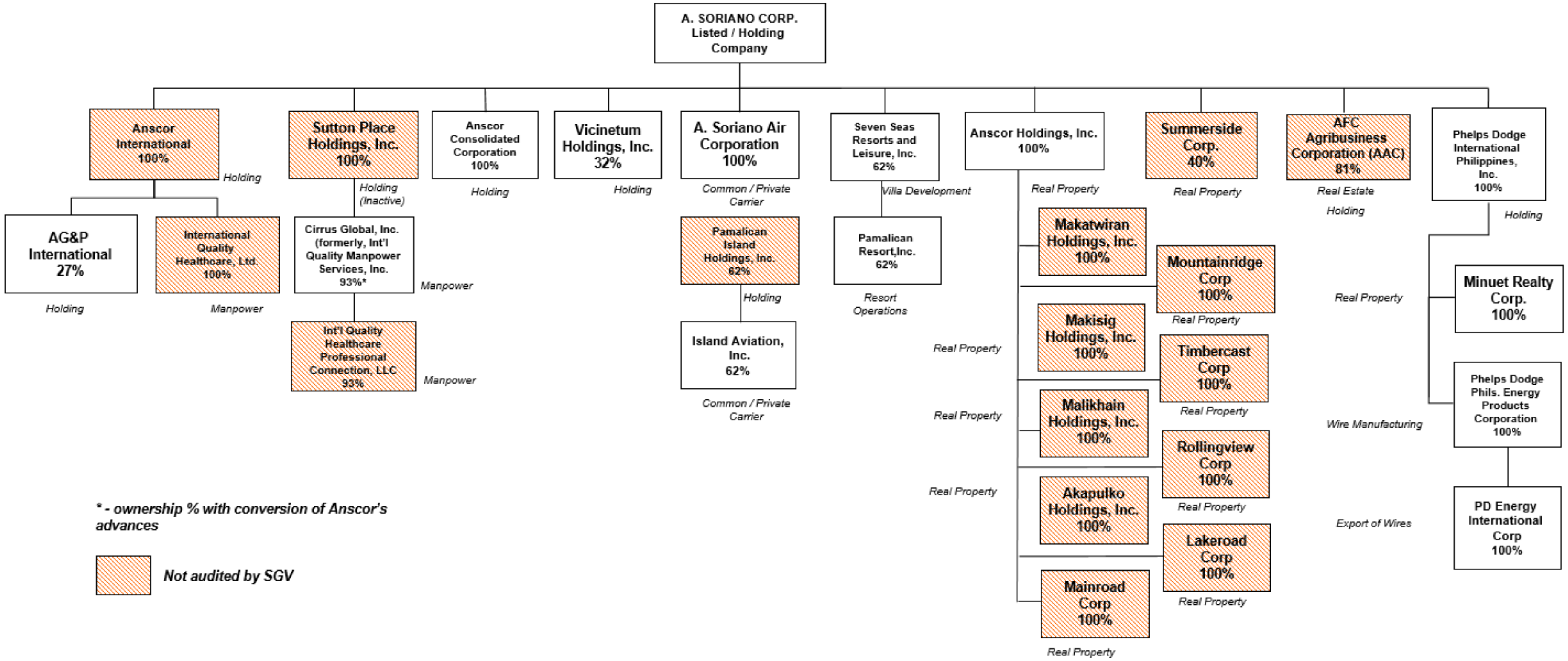
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2017

Unappropriated retained earnings, as adjusted to available for dividend distribution, January 1, 2017	₱2,690,918,124
Add: Net income actually earned/realized	
Net income during the period	1,072,980,188
Fair value adjustment (market-to-market gains)	(13,083,759)
Deferred tax assets	7,360,797
Net income actually earned	1,067,257,226
Less: Dividend declarations	(500,000,000)
Total retained earnings available for dividend declaration, December 31, 2017	₱3,258,175,350

ANNEX C

A. SORIANO CORPORATION AND SUBSIDIARIES

GROUP STRUCTURE
DECEMBER 31, 2017



SCHEDULE D

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transaction*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*		✓	
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10, *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PFRS 10, *Consolidated Financial Statements* - Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

**Standards and interpretations which will become effective subsequent to December 31, 2017.*
***Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception	✓		
	Amendments to PFRS 12: Clarification of the Scope of the Standard*		✓	
	Amendments to PFRS 12: Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
IFRS 15	Revenue from Contracts with Customers*		✓	
IFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative – Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PAS 28:Applying the Consolidation Exception	✓		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

**Standards and interpretations which will become effective subsequent to December 31, 2017.*
***Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of Information ‘elsewhere in the interim financial report’			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 39 *(cont'd)*	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements & Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

ANNEX E

A. SORIANO CORPORATION AND SUBSIDIARIES
FINANCIAL INDICATORS
DECEMBER 31, 2017

Significant financial indicators of the Group are the following:

	12/31/2017	12/31/2016	12/31/2015
Book Value Per Share (Note 1)	**₱15.21**	₱13.17	₱10.99
Current Ratio (Note 2)	**3.71**	3.01	2.13
Interest Rate Coverage Ratio (Note 3)	**21.68**	20.39	15.35
Debt to Equity Ratio (Note 4)	**0.19**	0.29	0.41
Asset to Equity Ratio (Note 5)	**1.22**	1.33	1.44
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**13.53%**	12.81%	12.10%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**8.54%**	9.38%	9.46%

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

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

PDP Energy and PDIPI

In Million Pesos

	12/31/2017	12/31/2016	12/31/2015
1. Net sales	**₱7,189**	₱6,608	₱6,102
2. Gross profit	**1,120**	1,358	1,126
3. Net income	**544**	751	574

Seven Seas Group

In Thousand Pesos

	12/31/2017	12/31/2016	12/31/2015
Occupancy rate	**55.2%**	44.4%	47.2%
Hotel revenue	**861.2**	678,913	644,488
Gross operating profit (GOP)	**335.8**	240,417	196,728
GOP ratio	**39.0%**	35.4%	30.5%
Resort net income	**99.5**	36,677	6,261
Villa development/lease net income	**1.0**	342,867	159,694
Consolidated net income (loss)	**100.5**	379,544	165,955

Occupancy rate is based on actual room nights sold over room nights on a 12-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

A. Soriano Corporation and Subsidiaries

Consolidated Financial Statements
As at December 31, 2017 and 2016
and for the Years Ended December 31, 2017,
2016 and 2015

and

Independent Auditor's Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

PW2

COMPANY NAME

A. SORIANO CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 8)	**₱3,255,534,668**	₱2,403,739,518
Fair value through profit or loss (FVPL) investments (Note 9)	**856,080,159**	769,680,131
Receivables - net (Note 10)	**1,783,448,898**	2,167,501,893
Inventories - net (Note 11)	**817,360,103**	683,916,919
Property development in progress (Note 30)	**3,177,197**	3,177,197
Available-for-sale (AFS) investments - current (Note 12)	**30,165,459**	47,728,517
Prepayments	**18,036,082**	18,676,972
Other current assets (Note 29)	**50,188,780**	151,400,689
Total Current Assets	**6,813,991,346**	6,245,821,836
Noncurrent Assets		
AFS investments - net of current portion (Notes 12 and 19)	**9,530,317,793**	8,313,497,196
Investments and advances (Note 13)	**1,651,840,135**	1,943,573,979
Goodwill (Note 6)	**1,302,276,264**	1,889,496,064
Property and equipment (Notes 14 and 19)	**2,668,188,799**	2,648,731,039
Investment properties (Notes 15 and 30)	**236,521,635**	234,877,835
Retirement plan asset - net (Note 24)	**93,706,684**	60,191,266
Deferred income tax assets - net (Note 25)	**61,082,479**	62,304,841
Other noncurrent assets (Notes 16 and 30)	**168,305,642**	129,006,778
Total Noncurrent Assets	**15,712,239,431**	15,281,678,998
TOTAL ASSETS	**₱22,526,230,777**	₱21,527,500,834
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 18 and 32)	**₱908,931,327**	₱969,798,809
Dividends payable (Note 20)	**252,554,370**	242,208,406
Income tax payable	**65,633,131**	141,744,752
Notes payable (Note 17)	**–**	91,948,200
Current portion of long-term debt (Note 19)	**611,283,871**	629,350,200
Total Current Liabilities	**1,838,402,699**	2,075,050,367

(Forward)

	December 31	
	2017	2016
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	**₱1,107,440,450**	₱1,916,231,143
Deferred revenues (Note 30)	**9,469,328**	8,601,560
Deferred income tax liabilities - net (Note 25)	**420,514,319**	600,160,058
Retirement benefits payable - net (Note 24)	**9,184,074**	4,211,769
Other noncurrent liabilities (Notes 16 and 30)	**170,050,058**	175,746,074
Total Noncurrent Liabilities	**1,716,658,229**	2,704,950,604
Total Liabilities	**3,555,060,928**	4,780,000,971
Equity Attributable to Equity Holders of the Parent (Note 20)		
Capital stock - ₱1 par value	**2,500,000,000**	2,500,000,000
Additional paid-in capital	**1,605,613,566**	1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)	**(26,356,543)**	(26,356,543)
Cumulative translation adjustment	**295,800,724**	380,244,251
Unrealized valuation gains on AFS investments (Note 12)	**3,003,271,945**	1,899,776,724
Remeasurement on retirement benefits (Note 24)	**57,994,622**	37,608,665
Retained earnings:		
Appropriated (Note 20)	**7,150,000,000**	7,150,000,000
Unappropriated (Note 20)	**6,250,515,619**	4,914,057,124
Cost of shares held by a subsidiary (1,282,826,746 shares and 1,267,406,746 shares in 2017 and 2016, respectively) (Note 20)	**(2,324,314,735)**	(2,226,272,975)
	18,512,525,198	16,234,670,812
Noncontrolling Interests (Note 3)	**458,644,651**	512,829,051
Total Equity	**18,971,169,849**	16,747,499,863
TOTAL LIABILITIES AND EQUITY	**₱22,526,230,777**	₱21,527,500,834

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Sale of goods - net	**₱7,188,994,574**	₱6,608,154,597	₱6,102,268,950
Services (Note 30)	**3,080,921,191**	3,483,481,253	2,747,521,027
Sale of real estate (Note 30)	**–**	633,912,337	293,036,415
Dividend income (Note 12)	**270,687,177**	218,797,811	209,651,661
Interest income (Notes 8, 9, 12 and 23)	**98,878,579**	95,311,627	83,315,419
Equity in net earnings (losses) - net (Note 13)	**(497,099,065)**	(72,773,871)	153,953,858
	10,142,382,456	10,966,883,754	9,589,747,330
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
Long-term investments (Notes 7 and 15)	**1,097,861,615**	343,158,019	–
AFS investments (Note 12)	**433,166,363**	555,619,230	1,091,213,611
Gain (loss) on increase (decrease) in market values of FVPL investments (Note 9)	**10,658,363**	20,589,122	(25,654,441)
	1,541,686,341	919,366,371	1,065,559,170
TOTAL	**11,684,068,797**	11,886,250,125	10,655,306,500
Cost of goods sold (Note 21)	**(6,069,283,925)**	(5,188,332,297)	(4,931,773,630)
Cost of services rendered (Note 21)	**(1,965,474,430)**	(2,312,578,606)	(1,809,102,441)
Operating expenses (Note 21)	**(1,381,111,751)**	(1,347,769,652)	(1,168,575,073)
Interest expense (Notes 17, 19 and 23)	**(90,524,037)**	(109,007,134)	(116,599,234)
Foreign exchange gain (loss) - net	**(17,853,205)**	5,431,706	(28,856,549)
Cost of real estate sold (Note 30)	**–**	(285,522,793)	(174,139,992)
Other income (charges) - net (Notes 23 and 30)	**(287,350,531)**	(534,484,598)	(753,600,117)
INCOME BEFORE INCOME TAX	**1,872,470,918**	2,113,986,751	1,672,659,464
PROVISION FOR INCOME TAX (Note 25)	**250,743,108**	423,696,067	309,397,655
NET INCOME	**₱1,621,727,810**	₱1,690,290,684	₱1,363,261,809
Net Income Attributable to:			
Equity holders of the Parent	**₱1,580,819,946**	₱1,522,796,705	₱1,282,782,660
Noncontrolling interests	**40,907,864**	167,493,979	80,479,149
	₱1,621,727,810	₱1,690,290,684	₱1,363,261,809
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent (Note 26)	**₱1.29**	₱1.24	₱1.03

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
NET INCOME	**₱1,621,727,810**	₱1,690,290,684	₱1,363,261,809
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains (losses) on AFS investments (Note 12)	**1,538,126,123**	1,186,148,549	(2,246,929,467)
Income tax effect	**(17,476,173)**	(10,935,308)	(24,996,268)
	1,520,649,950	1,175,213,241	(2,271,925,735)
Unrealized (gain) loss of AFS investments, recognized in the consolidated statements of income (Note 12)	**(433,166,363)**	35,279,977	(285,974,884)
Income tax effect	**16,011,634**	3,029,266	5,335,427
	(417,154,729)	38,309,243	(280,639,457)
	1,103,495,221	1,213,522,484	(2,552,565,192)
Cumulative translation adjustment	**(84,443,527)**	192,326,863	177,214,950
	1,019,051,694	1,405,849,347	(2,375,350,242)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 24)	**29,961,119**	3,451,388	(8,358,212)
Income tax effect	**(9,575,162)**	(835,308)	2,507,464
	20,385,957	2,616,080	(5,850,748)
OTHER COMPREHENSIVE INCOME (LOSS)	**1,039,437,651**	1,408,465,427	(2,381,200,990)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱2,661,165,461**	₱3,098,756,111	(₱1,017,939,181)
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent	**₱2,620,257,597**	₱2,931,262,132	(₱1,098,418,330)
Noncontrolling interests	**40,907,864**	167,493,979	80,479,149
	₱2,661,165,461	₱3,098,756,111	(₱1,017,939,181)

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Equity Attributable to Equity Holders of the Parent (Note 19)											
							Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on AFS Investments (Note 12)	Remeasurement on Retirement Benefits (Note 24)	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2014	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱10,702,438**	**₱3,238,819,432**	**₱40,843,333**	**₱4,600,000,000**	**₱5,029,204,349**	**(₱2,163,648,770)**	**₱14,835,177,805**	**₱374,261,424**	**₱15,209,439,229**
Total comprehensive income (loss) for the year	–	–	–	177,214,950	(2,552,565,192)	(5,850,748)	–	1,282,782,660	–	(1,098,418,330)	80,479,149	(1,017,939,181)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱125.8 million (Note 20)	–	–	–	–	–	–	–	(124,207,935)	–	(124,207,935)	–	(124,207,935)
Shares repurchased during the year (Note 20)	–	–	–	–	–	–	–	–	(55,856,525)	(55,856,525)	–	(55,856,525)
Movement in noncontrolling interests (Notes 3 and 30)	–	–	–	–	–	–	–	–	–	–	(76,514,959)	(76,514,959)
Appropriation during the year (Note 20)	–	–	–	–	–	–	1,700,000,000	(1,700,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2015	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**187,917,388**	**686,254,240**	**34,992,585**	**6,300,000,000**	**4,487,779,074**	**(2,219,505,295)**	**13,556,695,015**	**378,225,614**	**13,934,920,629**
Total comprehensive income (loss) for the year	–	–	–	192,326,863	1,213,522,484	2,616,080	–	1,522,796,705	–	2,931,262,132	167,493,979	3,098,756,111
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 20)	–	–	–	–	–	–	–	(246,518,655)	–	(246,518,655)	–	(246,518,655)
Shares repurchased during the year (Note 20)	–	–	–	–	–	–	–	–	(6,767,680)	(6,767,680)	–	(6,767,680)
Movement in noncontrolling interests (Notes 3 and 30)	–	–	–	–	–	–	–	–	–	–	(32,890,542)	(32,890,542)
Appropriation during the year (Note 20)	–	–	–	–	–	–	850,000,000	(850,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2016	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**380,244,251**	**1,899,776,724**	**37,608,665**	**7,150,000,000**	**4,914,057,124**	**(2,226,272,975)**	**16,234,670,812**	**512,829,051.00**	**16,747,499,863**
Total comprehensive income for the year	–	–	–	(84,443,527)	1,103,495,221	20,385,957	–	1,580,819,946	–	2,620,257,597	40,907,864	2,661,165,461
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱255.6 million (Note 20)	–	–	–	–	–	–	–	(244,361,451)		(244,361,451)	–	(244,361,451)
Shares repurchased during the year (Note 20)	–	–	–	–	–	–	–	–	(98,041,760)	(98,041,760)	–	(98,041,760)
Movement in noncontrolling interests (Notes 3 and 30)	–	–	–	–	–	–	–	–	–	–	(95,092,264)	(95,092,264)
Appropriation during the year (Note 20)	–	–	–	–	–	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2017	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱295,800,724**	**₱3,003,271,945**	**₱57,994,622**	**₱7,150,000,000**	**₱6,250,515,619**	**(₱2,324,314,735)**	**₱18,512,525,198**	**₱458,644,651**	**₱18,971,169,849**

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,872,470,918**	₱2,113,986,751	₱1,672,659,464
Adjustments for:			
Gain on sale of:			
Long-term investment (Notes 7, 13 and 15)	**(1,097,861,615)**	(343,158,019)	–
AFS investments (Note 12)	**(433,166,363)**	(555,619,230)	(1,091,213,611)
Equity in net losses (earnings) of associates - net (Note 13)	**497,099,065**	72,773,871	(153,953,858)
Dividend income (Note 12)	**(270,687,177)**	(218,797,811)	(209,651,661)
Valuation allowances - net (Note 23)	**255,054,868**	602,056,936	841,123,370
Depreciation and amortization (Note 14 and 21)	**252,088,932**	234,068,755	236,767,900
Interest income (Note 23)	**(98,878,579)**	(95,311,627)	(83,315,419)
Interest expense (Note 23)	**90,524,037**	109,007,134	116,599,234
Retirement benefit costs (Note 24)	**16,747,851**	15,698,052	16,230,854
Unrealized foreign exchange losses - net	**13,884,632**	42,147,356	62,227,101
Loss (gain) on decrease (increase) in market values of FVPL investments (Note 9)	**(10,658,363)**	(20,589,122)	25,654,441
Operating income before working capital changes	**1,086,618,206**	1,956,263,046	1,433,127,815
Decrease (increase) in:			
FVPL investments	**(97,058,391)**	(181,338,815)	40,316,999
Receivables	**365,575,268**	(223,054,364)	(44,016,071)
Inventories	**(138,806,873)**	15,482,484	199,230,246
Property development in progress	**–**	172,634,831	(19,169,531)
Prepayments and other current assets	**101,852,799**	(12,998,254)	(55,563,541)
Increase (decrease) in:			
Accounts payable and accrued expenses	**60,867,482**	53,675,841	(66,274,258)
Customers' deposit for property development	**–**	(597,268,360)	215,424,010
Deferred revenues	**–**	(1,516,340)	(19,597,403)
Net cash generated from operations	**1,379,048,491**	1,181,880,069	1,683,478,266
Dividends received	**270,687,177**	215,498,739	209,651,661
Interest received	**98,091,189**	89,959,658	83,315,419
Interest paid	**(85,531,605)**	(94,220,605)	(148,698,157)
Retirement benefit contribution (Note 24)	**(16,659,548)**	(17,949,668)	(20,926,478)
Income taxes paid	**(312,505,882)**	(400,069,455)	(253,933,598)
Net cash flows from operating activities	**1,333,129,822**	975,098,738	1,552,887,113

(Forward)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 12)	**₱2,255,676,587**	₱1,473,209,534	₱3,294,238,365
Long-term investment	**1,376,788,000**	397,120,000	–
Property and equipment (Note 14)	**4,279,888**	1,780,000	–
Additions to:			
AFS investments (Note 12)	**(2,061,889,847)**	(1,019,866,822)	(3,426,157,700)
Property and equipment (Note 14)	**(289,432,012)**	(179,885,426)	(237,320,248)
Acquisition of an associate (Note 13)	**(91,256,250)**	–	(2,100,000)
Movement in other noncurrent assets	**(39,298,864)**	(26,053,160)	(10,108,172)
Proceeds from redemption of preferred share	**12,301,027**	–	–
Advances from (to) affiliates (Note 13)	**(77,400,000)**	(386,108)	(2,655,735)
Net cash flows from (used in) investing activities	**1,089,768,529**	645,918,018	(384,103,490)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt (Note 19)	**(838,534,464)**	(635,755,735)	(219,884,036)
Dividends (Note 20)	**(489,654,036)**	(487,734,748)	(414,223,047)
Notes payable (Note 17)	**(91,948,200)**	(554,000,000)	(2,072,225,829)
Company shares purchased by a subsidiary (Note 20)	**(98,041,760)**	(6,767,680)	(55,856,525)
Increase (decrease) in noncontrolling interests	**(54,184,400)**	134,603,437	(76,514,959)
Proceeds from notes payable (Note 17)	**–**	554,000,000	557,000,000
Proceeds from long-term debt (Note 19)	**–**	–	1,500,000,000
Net cash flows from (used in) financing activities	**(1,572,362,860)**	(995,654,726)	(781,704,396)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**850,535,491**	625,362,030	387,079,227
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,259,659**	4,058,316	(13,793,714)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,403,739,518**	1,774,319,172	1,401,033,659
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱3,255,534,668**	₱2,403,739,518	₱1,774,319,172

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were authorized for issue by the Board of Directors (BOD) on February 22, 2018.

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

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

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

<u>Changes in Accounting Policies</u>
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, 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.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to Philippine Accounting Standards (PAS) PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 31 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- 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 upon the reversal of the deductible temporary difference related to unrealized losses. 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.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary difference or assets that are in the scope of the amendments.

New Accounting Standards, Interpretations and Amendments
to Existing Standards Effective Subsequent to December 31, 2017
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

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

- 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. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

In 2017, the Group performed its initial impact assessment of all phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Group when it adopts PFRS 9 in 2018.

(a) Classification and measurement

Debt securities currently held as available-for-sale (AFS) under PAS 39 are expected to be classified as at fair value through other comprehensive income (FVOCI) as these are held both to collect contractual cash flows and to sell. Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement. However, the Group is still finalizing its assessment on whether the contractual cash flows of these debt financial assets are solely payments of principal and interest (SPPI) to be able to conclude that these instruments are eligible for amortized cost or FVOCI measurement.

Quoted and unquoted equity shares currently held as AFS are expected to be measured at fair value through profit or loss, which will increase volatility in profit or loss. The Group is in the process of determining how to measure the fair value of the unquoted investments.

(b) Impairment

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group’s debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality. The Group is currently quantifying the impact of the change in measuring credit losses.

- 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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying 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 retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date.

The Group is still in the process of determining the impact on its consolidated financial statements. In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- 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.

- 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. Alternatively, an entity, 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.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Entities shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* 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.

Tax Reform for Acceleration and Inclusion Act (TRAIN) Law

- Republic Act (RA) No.10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as at the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as at the reporting date.

3. Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

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

		Percentage of Ownership		
	Nature of Business	**2017**	2016	2015
A. Soriano Air Corporation (Note 30)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	**62**	62	62
Island Aviation, Inc. (IAI, Note 30)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	**100**	100	100

(Forward)

	Nature of Business	Percentage of Ownership 2017	2016	2015
Anscor Holdings, Inc. (AHI, formerly Goldenhall Corp., Note 30)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Lakeroad Corp.	Real Estate Holding	**100**	100	100
Mainroad Corp.	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	**100**	100	100
Mountainridge Corp.	Real Estate Holding	**100**	100	100
Rollingview Corp.	Real Estate Holding	**100**	100	100
Timbercrest Corp.	Real Estate Holding	**100**	100	100
Anscor International, Inc. (AI, Note 13)	Investment Holding	**100**	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	**100**	100	100
Cirrus Medical Staffing, Inc. (Cirrus, Notes 7 and 30)	Manpower Services	**–**	94	94
Cirrus Holdings USA, LLC (Cirrus LLC, Notes 7 and 30)	Manpower Services	**–**	94	94
Cirrus Allied, LLC (Cirrus Allied, Notes 7 and 30)	Manpower Services	**–**	94	94
NurseTogether, LLC (NT, Note 7)	Online Community Management	**–**	94	94
Uptown Kamputhaw Holdings, Inc. (formerly Anscor Property Holdings, Inc., APHI, Note 15)	Real Estate Holding	**–**	–	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 6 and 30)	Investment Holding	**100**	100	100
Minuet Realty Corporation (Minuet)	Landholding	**100**	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 6 and 30)	Wire Manufacturing	**100**	100	100
PD Energy International Corporation (PDEIC, Note 6)	Wire Manufacturing	**100**	100	100
Sutton Place Holdings, Inc. (Sutton)	Investment Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Note 30)	Manpower Services	**93**	93	93
IQ Healthcare Professional Connection, LLC (IQHPC, Note 30)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (AAC)	Real Estate Holding	**81**	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 6 and 30)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Notes 6 and 30)	Resort Operations	**62**	62	62
Summerside Corp. (Summerside)	Investment Holding	**40**	40	100

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

Material Partly-Owned Subsidiaries (SSRLI and PRI)

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

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

	2017	2016
Balance Sheets:		
Current assets	**₱535.6**	₱665.2
Noncurrent assets	**990.8**	964.9
Current liabilities	**364.9**	441.1
Noncurrent liabilities	**154.2**	76.4
Equity	**1,007.3**	1,112.4
Equity attributable to NCI	**379.8**	419.4

	2017	2016
Statements of Comprehensive Income:		
Revenue	**₱874.3**	₱1,336.7
Income from continuing operations, before tax	**128.2**	415.8
Net income	**100.5**	379.5
Other comprehensive income (loss)	**(4.7)**	1.4
Total comprehensive income	**95.8**	381.0
Total comprehensive income allocated to NCI during the year	**36.1**	143.6

	2017	2016
Statements of Cash Flows:		
Cash flows from operations	**₱197.6**	₱90.3
Cash flows used in investing activities	**(111.9)**	(83.2)
Cash flows from (used in) financing activities	**(186.1)**	10.9

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

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

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

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

The following are the Group's associates as at December 31:

		Percentage of Ownership		
	Nature of Business	**2017**	2016	2015
Associates				
Vicinetum Holdings, Inc. (VHI)	Investment Holding	**32**	32	32
Prople Limited (Note 13)	Business Process Outsourcing	**32**	32	–
AGP International Holdings Ltd. (AGPI, Note 13)	Investment Holding	**27**	27	27
BehaviorMatrix, LLC (BM, Note 13)	Behavior Analytics Services	**21**	21	13
ATRAM Investment Management Partners Corp. (AIMP) (Note 13)	Asset Management	**20**	–	–

In 2016, AI converted its notes receivable from Prople Limited and BM to equity. The conversion and additional investment increased AI's shareholdings, making Prople Limited and BM associates of the Group (see Note 13).

In 2017, Anscor purchased additional shares in AIMP which resulted to an increase in ownership allowing the Group to exercise significant influence over the investee (see Note 13).

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 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 at December 31, 2017 and 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 at December 31, 2017 and 2016 the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives amounting to ₱856.1 million and ₱769.7 million, respectively (see Note 9). No financial liability at FVPL is outstanding as at December 31, 2017 and 2016.

(b) Loans and receivables

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

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

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

(c) AFS investments

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

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

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

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within 12 months after the reporting period.

As at December 31, 2017 and 2016, the Group’s AFS investments include investment in equity securities and bonds and convertible notes amounting to ₱9,560.5 million and ₱8,361.2 million, respectively (see Note 12).

(d) Other financial liabilities

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

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As at December 31, 2017 and 2016, included in other financial liabilities are the Group’s notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As at December 31, 2017 and 2016, there were no financial instruments classified as HTM.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the 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.

<u>Impairment of Financial Assets</u>
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

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

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

“Day 1” Difference

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Revenue

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

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

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

Sale of goods

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

Sale of real estate

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

Revenue on villa development project

Revenue on villa development project of a subsidiary is recognized under the completed contract method.

Rendering of services

Handling fee, service fee, management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

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

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

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Group to provide a replacement at no additional cost to the hospital.

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

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

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

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

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

<u>Costs and Expenses</u>
Costs and expenses are recognized in the consolidated statement of income when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

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

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

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

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

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

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

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

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

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV).

Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

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

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

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

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

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

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

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

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

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	2 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

**or lease term, whichever is shorter*

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

Depreciation commences when an asset is in its operational location or working condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

Property Development in Progress
Property development in progress includes villa development costs and related expenses incurred.

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

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

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

Goodwill

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

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

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at the end of each financial reporting period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. 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 the consolidated statement of income.

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 the consolidated statement of income in subsequent periods.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Earnings Per Share</u>
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2017, 2016 and 2015.

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets (see Note 29).

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

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

Determination of absence of significant influence over Enderun
The Company determined that it has no significant influence over Enderun. Management assessed that it did not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun is considered an AFS investment as at December 31, 2016. In 2017, Anscor sold all of its shares in Enderun (see Note 12).

Assessment of control over the entities for consolidation
The Group has wholly owned, majority and minority-owned subsidiaries discussed in Note 3. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements. As at December 31, 2017 and 2016, the Group has 100% beneficial ownership over Summerside.

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

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

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts as at December 31, 2017 and 2016 amounted to ₱625.2 million and ₱630.2 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱1,865.2 million and ₱2,169.8 million as at December 31, 2017 and 2016, respectively (see Notes 10 and 13).

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

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data (see Note 29).

Unquoted equity investments amounted to ₱1,209.7 million and ₱1,403.0 million as at December 31, 2017 and 2016, respectively (see Note 12).

Impairment of AFS equity investments
The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidence of impairment exists. The determination of what is significant or prolonged decline requires judgment. The Group generally treats significant decline as 30% or more and prolonged decline as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for equities and the future cash flows and the discount factors for unquoted equities.

In 2017, 2016 and 2015, total impairment loss recognized amounted to ₱42.7 million, ₱590.9 million and ₱607.3 million, respectively, on its equity instruments (see Note 23). AFS equity investments amounted to ₱8,876.0 million and ₱7,513.4 million as at December 31, 2017 and 2016, respectively (see Note 12).

Impairment of AFS debt investments
For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the market prices of these bonds indicate objective evidence of impairment. The Company recognized impairment loss of ₱82.9 million, nil and ₱197.9 million in 2017, 2016 and 2015, respectively (see Note 23). The carrying value of AFS debt investments amounted to ₱684.5 million and ₱847.8 million as at December 31, 2017 and 2016, respectively (see Note 12).

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

Allowance for inventory losses and obsolescence amounted to ₱84.5 million and ₱88.8 million as at December 31, 2017 and 2016, respectively. The carrying amount of the inventories amounted to ₱817.4 million and ₱683.9 million as at December 31, 2017 and 2016, respectively (see Note 11).

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

As at December 31, 2017 and 2016, the carrying value of property and equipment amounted to ₱2,668.2 million and ₱2,648.7 million, respectively (see Note 14).

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

The carrying amounts of the investments amounted to ₱1,570.1 million and ₱1,941.3 million as at December 31, 2017 and 2016, respectively (see Note 13).

Impairment of non-financial assets
(a) Property and equipment and investment properties

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

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

As at December 31, 2017 and 2016, the carrying value of property and equipment and investment properties amounted to ₱2,904.7 million and ₱2,883.6 million, respectively (see Notes 14 and 15).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2017 (see Notes 14 and 15).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱100.0 million since December 31, 2009 on its investment in Cirrus. In 2017, the Group sold its investment in Cirrus including goodwill allocated to Cirrus (see Note 7).

As at December 31, 2017 and 2016, the carrying value of goodwill amounted to ₱1,302.3 million and ₱1,889.5 million, respectively (see Note 6).

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

the deferred income tax assets. As at December 31, 2017 and 2016, the Group recognized deferred income tax assets amounting to ₱74.1 million and ₱89.7 million, respectively (see Note 25).

Determination of pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as at December 31, 2017 and 2016 amounted to ₱93.7 million and ₱60.2 million, respectively. Net retirement benefits payable as at December 31, 2017 and 2016 amounted to ₱9.2 million and ₱4.2 million, respectively. Further details are provided in Note 24.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 24.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 32.

5. Segment Information

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

Holding company segment pertains to the operations of the Company.

Nurse/PT staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States. On October 19, 2017, the Group sold its interest in Cirrus which serves as the Nurse/PT staffing segment of the Group (see Note 7).

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

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

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

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

The following tables present the financial information of the business segments as at and for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	Before Eliminations							
	US	**Philippines**						
	***Nurse/PT Staffing Company**	**Holding Company (Parent)**	**Resort Operations and Villa Development**	**Cable and Wire Manufacturing**	****Other Operations**	**Total**	**Eliminations**	**Consolidated**
As of and for the year ended December 31, 2017								
Revenues, excluding interest income	**₱2,028,265**	**₱831,590**	**₱874,279**	**₱7,188,995**	**₱616,609**	**₱11,536,516**	**(₱1,493,012)**	**₱10,043,504**
Interest income	**1**	**87,909**	**3,529**	**2,297**	**5,841**	**99,577**	**(698)**	**98,879**
Investment gains	**–**	**443,825**	**–**	**1,811**	**992,107**	**1,437,743**	**103,943**	**1,541,686**
Interest expense	**5,386**	**45,912**	**–**	**36,042**	**3,184**	**90,524**	**–**	**90,524**
Income tax expense (benefit)	**(5,073)**	**12,549**	**27,681**	**212,103**	**10,486**	**257,746**	**(7,003)**	**250,743**
Equity in net earnings (losses) - net	**–**	**–**	**–**	**–**	**(541,687)**	**(541,687)**	**44,588**	**(497,099)**
Net income	**(47,637)**	**1,072,980**	**100,523**	**543,667**	**704,833**	**2,373,794**	**(752,066)**	**1,621,728**
Total assets	**–**	**18,928,517**	**1,526,424**	**3,824,469**	**12,972,567**	**37,251,736**	**(14,725,505)**	**22,526,231**
Investments and advances	**–**	**7,069,111**	**60,706**	**–**	**2,349,032**	**9,502,453**	**(7,850,613)**	**1,651,840**
Property and equipment	**–**	**21,152**	**812,752**	**626,908**	**99,367**	**1,560,179**	**1,108,010**	**2,668,189**
Total liabilities	**–**	**1,384,736**	**519,125**	**1,150,106**	**2,631,923**	**5,685,648**	**(2,130,587)**	**3,555,061**
Depreciation and amortization	**2,328**	**8,838**	**66,299**	**75,188**	**41,484**	**225,410**	**26,679**	**252,089**
Impairment loss	**111,599**	**125,551**	**5,458**	**9,386**	**3,856**	**255,850**	**(795)**	**255,055**
Cash flows from (used in):								
Operating activities	**206,562**	**743,752**	**197,556**	**313,737**	**166,200**	**1,627,807**	**(252,020)**	**1,375,787**
Investing activities	**(3,637)**	**1,168,955**	**(111,939)**	**(145,832)**	**(57,715)**	**849,832**	**197,279**	**1,047,111**
Financing activities	**(161,618)**	**(1,055,032)**	**(186,114)**	**(511,429)**	**9,577**	**(1,904,616)**	**332,253**	**(1,572,363)**

**Sold on October 19, 2017. Financial performance shown is up to the date of disposal.*
***"Other Operations" include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net earnings of associates.*

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2016								
Revenues, excluding interest income	₱2,572,502	₱856,376	₱1,336,651	₱6,608,160	₱711,787	₱12,085,476	(₱1,213,904)	₱10,871,572
Interest income	1,756	83,174	2,921	2,147	226	90,224	5,088	95,312
Investment gains	–	815,206	–	–	(8,503)	806,703	112,663	919,366
Interest expense	494	57,309	403	45,737	3,308	107,251	1,756	109,007
Income tax expense (benefit)	108,724	21,050	36,207	255,450	11,292	432,723	(9,027)	423,696
Equity in net earnings (losses) - net	–	–	–	–	(72,774)	(72,774)	–	(72,774)
Net income	184,916	1,005,126	379,544	750,604	403,743	2,723,933	(1,033,642)	1,690,291
Total assets	1,151,194	17,754,581	1,630,028	3,905,133	12,099,505	36,540,441	(15,012,940)	21,527,501
Investments and advances	692,974	7,872,221	60,706	–	3,320,537	11,946,438	(10,002,864)	1,943,574
Property and equipment	3,897	23,922	809,384	568,299	108,568	1,514,070	1,134,661	2,648,731
Total liabilities	636,602	1,911,194	517,581	1,525,781	3,969,244	8,560,402	(3,780,401)	4,780,001
Depreciation and amortization	4,356	8,095	97,312	69,527	30,225	209,515	24,554	234,069
Impairment loss	8,332	653,673	–	15,814	2,562,011	3,239,830	(2,637,773)	602,057
Cash flows from (used in):								
Operating activities	304,444	593,426	90,277	809,980	53,212	1,851,339	(876,240)	975,099
Investing activities	(1,441)	711,084	(83,242)	(62,793)	3,897	567,505	78,413	645,918
Financing activities	(312,284)	(918,317)	(10,869)	(421,429)	(56,688)	(1,719,587)	723,932	(995,655)

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

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations Resort Operations and Villa Development	*Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2015								
Revenues, excluding interest income	₱1,850,730	₱2,742,661	₱994,023	₱6,102,341	₱382,875	₱12,072,630	(₱2,566,198)	₱9,506,432
Interest income	–	75,395	758	1,083	6,079	83,315	–	83,315
Investment gains	–	1,066,719	–	–	(1,160)	1,065,559	–	1,065,559
Interest expense	340	74,240	1,155	39,134	1,730	116,599	–	116,599
Income tax expense (benefit)	66,883	(15,815)	29,167	221,657	15,500	317,392	(7,994)	309,398
Equity in net earnings (losses) - net	–	–	–	–	153,954	153,954	–	153,954

(Forward)

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations Resort Operations and Villa Development	*Other Operations	Investments in Associates	Total	Eliminations	Consolidated
Net income (loss)	₱108,864	₱2,759,487	₱166,854	₱574,356	₱364,558	₱3,974,119	(₱2,610,857)	₱1,363,262
Total assets	1,041,115	16,382,877	1,799,068	3,488,824	3,745,714	26,457,598	(6,905,218)	19,552,380
Investments and advances	–	8,132,207	74,091	–	2,253,691	10,459,989	(8,635,729)	1,824,260
Property and equipment	4,743	29,727	837,454	573,253	95,388	1,540,565	1,161,312	2,701,877
Total liabilities	129,598	2,252,921	1,067,586	1,616,524	4,695,279	9,761,908	(4,144,448)	5,617,460
Depreciation and amortization	4,914	7,369	97,984	70,967	29,435	210,669	26,099	236,768
Impairment loss	–	802,759	4,266	14,940	271,826	1,093,791	(252,668)	841,123
Cash flows from (used in):								
Operating activities	927,193	1,435,669	430,416	773,270	48,197	3,614,745	(2,061,858)	1,552,887
Investing activities	(38,281)	786,261	(64,949)	(101,420)	(5,368)	576,243	(960,346)	(384,103)
Financing activities	(909,597)	(2,125,914)	(280,715)	(492,814)	(21,151)	(3,830,191)	3,048,487	(781,704)

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

6. Business Combinations

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

	2017	2016
PDP (Note 6b)	**₱1,202,945,277**	₱1,202,945,277
SSRLI (Note 30)	**99,330,987**	99,330,987
Cirrus	**–**	587,219,800
	₱1,302,276,264	₱1,889,496,064

The goodwill allocated to Cirrus of ₱577.9 million, before accumulated exchange differences amounting to ₱115.2 million and valuation allowance amounting to ₱105.8 million as at December 31, 2016, comprises the value of the acquired companies' customer and staff base and existing market share in the healthcare staffing industry. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38. In 2017, the Group sold its investment in Cirrus resulting to derecognition of its goodwill (see Note 7).

b. Impairment Testing of Goodwill

i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2017 and 2016 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2017 and 2016 are 18.3% and 16.1%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 5.5% and 5.0% in 2017 and 2016, respectively, and the difference between the discount rate and growth rate.

Growth rate
PDP Group assumed a growth rate of 1% to 5.0% and 5% in 2017 and 2016, respectively. Management used the average industry growth rate for the forecast.

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

ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2017 and 2016 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2017 and 2016 are 12.8% and 13.0%, respectively.

Growth rate
Growth rate assumptions for the five-year cash flow projections in 2017 and 2016 are supported by the different initiatives of SSRLI. SSRLI used 3% to 9% and 5% to 13% growth rate in revenue for its cash flow projection in 2017 and 2016, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 6.5% and 4.0% in 2017 and 2016, respectively, and the difference between the discount rate and growth rate.

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

iii. Cirrus

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

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2016 is 14.1%.

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

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

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

7. Deconsolidated Subsidiary

On October 19, 2017, the Group, through its wholly-owned subsidiary, IQHIL, entered into a Merger Agreement with Webster Capital Management LLC, a US based company, effectively selling the Group's entire shareholdings in Cirrus equivalent to 93.55% of the latter's total outstanding shares. As a result, the Group consolidated Cirrus statement of comprehensive income up to the date of sale.

Total gain on sale of investment in Cirrus recognized in the 2017 consolidated statement of income amounted to ₱1,097.9 million.

Cirrus serves as the Nurse/PT staffing segment of the Group and is a separate reportable operating segment (see Note 5).

The results of Cirrus for the period ended October 19, 2017 and for the years ended December 31, 2016 and 2015 are presented below (in millions):

	October 19, 2017	December 31, 2016	December 31, 2015
Revenues	**₱2,028.3**	₱2,580.2	₱1,850.7
Cost of services	**(1,569.5)**	(2,026.2)	(1,468.3)
Gross profit	**458.8**	554.0	382.4
Expenses	**(511.5)**	(260.3)	(206.7)
Income (loss) before income tax	**(52.7)**	293.7	175.7
Provision for (benefit from) income tax	**(5.1)**	108.7	66.9
Net income (loss) from a deconsolidated subsidiary	**(₱47.6)**	₱185.0	108.8
Earnings (Loss) Per Share			
Basic/diluted, for net income (loss) attributable to equity holders of the Parent from a deconsolidated subsidiary	**(₱0.04)**	₱0.14	₱0.08

The net cash flows from (used in) the activities of Cirrus for the period ended October 19, 2017 and for the years ended December 31, 2016 and 2015 are as follows (in millions):

	October 19, 2017	December 31, 2016	December 31, 2015
Operating	**₱206.6**	₱304.4	₱927.2
Investing	**(3.7)**	(1.4)	(38.3)
Financing	**(161.6)**	(312.3)	(909.6)
Net cash inflow (outflow)	**₱41.3**	(₱9.3)	(₱20.7)

8. Cash and Cash Equivalents

	2017	2016
Cash on hand and with banks	**₱1,636,218,697**	₱1,803,257,745
Short-term investments	**1,619,315,971**	600,481,773
	₱3,255,534,668	₱2,403,739,518

Cash with banks earn interest at the respective bank deposit rates ranging from 0.10% to 1.25%, 0.25% to 1.25% and 0.13% to 0.25% in 2017, 2016 and 2015, respectively. Short-term investments with interest rates ranging from 0.16% to 2.64%, 0.16% to 0.55% and 0.16% to 0.55% in 2017, 2016 and 2015, respectively, are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 23).

9. FVPL Investments

	2017	2016
Bonds	**₱833,776,158**	₱744,616,051
Funds and equities	**214,351**	3,345,600
Others	**22,089,650**	21,718,480
	₱856,080,159	₱769,680,131

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

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

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 3.38% to 9.00%, 3.50% to 13.13% and 2016, 4.24% to 13.13% in 2017, 2016 and 2015, respectively.

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

	Unrealized valuation gains (losses) in market values as at December 31		**Gains (losses) on increase (decrease) in market value of FVPL investments**
	2017	2016	**in 2017**
Bonds	**(₱16.9)**	**(₱22.2)**	**₱5.3**
Funds and equities	**0.1**	**(0.4)**	**0.5**
Others	**1.5**	**2.0**	**(0.5)**
Total	**(15.3)**	**(20.6)**	**5.3**
Add realized loss on sale of FVPL investments			**5.4**
Net gain on increase in market value of FVPL investments			**₱10.7**

	Unrealized valuation gains (losses) in market values as at December 31 2016	2015	Gains (losses) on increase (decrease) in market value of FVPL investments in 2016
Bonds	(₱22.2)	(₱43.8)	₱21.6
Funds and equities	(0.4)	(1.7)	1.3
Others	2.0	2.0	–
Total	(20.6)	(43.5)	22.9
Add realized loss on sale of FVPL investments			(2.3)
Net loss on decrease in market value of FVPL investments			₱20.6

	Unrealized valuation gains (losses) in market values as at December 31 2015	2014	Gains (losses) on increase (decrease) in market value of FVPL Investments in 2015
Bonds	(₱43.8)	(₱22.7)	(₱21.1)
Funds and equities	(1.7)	0.3	(2.0)
Others	2.0	1.3	0.7
Total	(43.5)	(21.1)	(22.4)
Add realized loss on sale of FVPL investments			(3.3)
Net loss on decrease in market value of FVPL investments			(₱25.7)

There were no outstanding forward transaction as at December 31, 2017, 2016 and 2015.

10. Receivables

	2017	2016
Trade	**₱1,632,172,618**	₱2,001,480,123
Tax credits/refunds	**151,666,043**	139,743,453
Interest receivable	**22,637,770**	21,850,380
Advances to employees	**13,285,580**	14,567,248
Receivables from villa owners	**13,106,894**	11,069,973
Dividend receivable	**3,299,071**	3,299,071
Notes receivable	**–**	32,000,000
Others	**7,679,219**	8,941,158
	1,843,847,195	2,232,951,406
Less allowance for doubtful accounts	**60,398,297**	65,449,513
	₱1,783,448,898	₱2,167,501,893

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

As at December 31, 2016, the Group has notes receivable amounting to ₱32.0 million from ATR Holdings, Inc. The notes bear 7% interest rate per annum, unsecured and currently due and demandable. In 2017, the Group collected the notes receivable.

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

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

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

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

	2017		
	Trade	**Others**	**Total**
At January 1	**₱63,616,355**	**₱1,833,158**	**₱65,449,513**
Provision for the year (Note 23)	**18,477,727**	**–**	**18,477,727**
Write-off	**(23,528,943)**	**–**	**(23,528,943)**
At December 31	**₱58,565,139**	**₱1,833,158**	**₱60,398,297**

	2016		
	Trade	Others	Total
At January 1	₱70,664,283	₱1,833,158	₱72,497,441
Provision for the year (Note 23)	26,082,261	–	26,082,261
Write-off and translation adjustment	(33,130,189)	–	(33,130,189)
At December 31	₱63,616,355	₱1,833,158	₱65,449,513

11. Inventories

	2017	2016
At cost:		
Raw materials	**₱96,975,868**	₱109,764,434
Materials in transit	**15,868,813**	5,277,159
Food and beverage	**13,367,144**	18,747,134
Aircraft parts in transit	**8,636,559**	7,378,912
Reel inventory	**4,176,818**	3,645,904
	139,025,202	144,813,543
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱22.0 million in 2017 and ₱26.9 million in 2016	**288,445,978**	233,969,537
Work in process - net of allowance for inventory obsolescence of ₱10.7 million in 2017 and ₱7.0 million in 2016	**160,067,404**	102,095,274
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱36.4 million in 2017 and ₱36.1 million in 2016	**106,947,233**	76,943,164

(Forward)

	2017	2016
Raw materials - net of allowance for inventory obsolescence of ₱2.6 million in 2017 and ₱12.2 million in 2016	**₱89,390,888**	₱89,312,869
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱7.2 million in 2017 and ₱5.1 in 2016	**28,097,694**	25,240,149
Construction-related materials - net of allowance for inventory obsolescence of ₱5.6 million in 2017 and ₱1.5 million in 2016	**5,385,704**	11,542,383
	678,334,901	539,103,376
	₱817,360,103	₱683,916,919

Net reversals for inventory losses recognized in 2017 amounted to ₱4.3 million while provision for inventory losses recognized in 2016 and 2015 amounted to ₱14.1 million and ₱7.1 million, respectively.

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2017 and 2016.

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

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

12. AFS Investments

	2017	2016
Quoted equity shares	**₱7,003,083,175**	₱5,671,746,053
Unquoted equity shares	**1,209,743,564**	1,402,973,236
Bonds and convertible note	**684,500,101**	847,825,052
Funds and equities	**468,836,089**	254,471,051
Proprietary shares	**194,320,323**	184,210,321
	9,560,483,252	8,361,225,713
Less current portion of AFS bonds	**30,165,459**	47,728,517
	₱9,530,317,793	₱8,313,497,196

Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2017 and 2016 which are assessed to be the exit prices.

AFS investments in bonds represent foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 2.47% to 7.38% in 2017, 3.50% to 7.38% in 2016 and 3.88% to 8.35% in 2015. Maturity dates range from July 16, 2018 to November 11, 2024 for bonds held as at December 31, 2017 and August 8, 2017 to October 15, 2025 for bonds held as at December 31, 2016.

As at December 31, 2017 and 2016, the Company has AFS investments amounting to ₱2,327.8 million and ₱2,273.7 million, respectively, that are pledged as collateral for its long-term debt (see Note 19).

In 2017, 2016, and 2015, gain on sale of AFS investments amounted to ₱433.2 million, ₱555.6 million and ₱1,091.2 million, respectively.

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

a. Enderun College, Inc. (Enderun)

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

In 2015, the Company recognized ₱58.6 million gain on fair value adjustment in its investment in Enderun presented in other comprehensive income.

In 2017, the Company sold its shares in Enderun for ₱370.0 million which resulted to a gain of ₱83.8 million (inclusive of the fair value adjustment of ₱58.6 million previously recorded under other comprehensive income).

The carrying value of the investment in Enderun amounted to nil and ₱344.8 million as at December 31, 2017 and 2016, respectively.

The Company received cash dividends from Enderun amounting to ₱4.8 million, ₱21.9 million and ₱9.4 million in 2017, 2016 and 2015, respectively.

As at December 31, 2016, investment in Enderun was classified as AFS investments because the Company does not exercise significant influence and its holding in Enderun is not sufficient to influence major business decisions (see Note 4).

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

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

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

On January 6, 2017 and September 25, 2017, AI made additional investment to YmAbs amounting to US$0.3 million (₱15.7 million) and US$1.0 million (₱50.1 million), respectively.

As at December 31, 2017 and 2016, the Group's total investment in YmAbs, inclusive of foreign exchange adjustment, amounted to ₱152.2 million and ₱87.0 million, respectively.

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

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

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

d. KSA Realty Corporation (KSA)

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

On June 15, 2016, the Company acquired additional shares in KSA amounting to ₱236.5 million. This increased the Company's stake in KSA from 11.30% in 2015 to 14.28% in 2016.

As at December 31, 2017 and 2016, the Company's investment in KSA amounted to ₱752.9 million (see Note 29).

The Company received cash dividends from KSA amounting to ₱114.2 million in 2017 and 2016.

e. Element Data, Inc. (Element Data)

In June 2017, AI invested US$1.0 million or ₱49.5 million in Series Seed preferred shares of Element Data, a Seattle, Washington-based Artificial Intelligence Company. Its Decision Intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

In October 2017, Element Data acquired all of the intellectual property of the Group's investment in BM, an associate of the Group.

In December 2017, AI invested additional US$1.0 million or ₱50.6 million in Series Seed preferred shares of Element Data.

Total investment in Element Data, inclusive of foreign exchange adjustment, amounted to ₱99.9 million as at December 31, 2017.

f. Madaket, Inc. (Madaket)

In May 2017, AI invested US$1.0 million or ₱49.7 million in Madaket Inc., the owner of Madaket Healthcare. Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

g. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, AI entered into an investment agreement with Sierra Madre, a newly formed private equity fund staffed by experienced local operators and private equity professionals. The fund will focus on providing growth capital to small and mid-sized Philippine companies. As at December 31, 2017, total investment to Sierra Madre amounted to US$0.2 million or ₱12.2 million.

h. Geothermal Project

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

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

As at December 31, 2016, total amount of investment amounted to ₱82.9 million, net of allowance for impairment amounting to ₱58.0 million.

In 2017, the Company recognized impairment loss of ₱82.9 million bringing the investment balance to nil as at December 31, 2017 (see Note 23).

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

	2017	2016
Beginning balance	**₱1,899,776,724**	₱686,254,240
Gain recognized directly in equity - net of tax	**1,520,649,950**	1,175,213,241
Amount removed from equity and recognized in consolidated statements of income - net of tax	**(417,154,729)**	38,309,243
Ending balance	**₱3,003,271,945**	₱1,899,776,724

In 2017, 2016 and 2015, the Group recognized impairment losses on its quoted and unquoted AFS debt and equity investments amounting to ₱125.6 million, ₱590.9 million, and ₱805.2 million, respectively (see Note 23).

13. Investments and Advances

	2017	2016
Investments at equity - net	**₱1,570,106,166**	₱1,941,304,352
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2017 and 2016, respectively	**81,733,969**	2,269,627
	₱1,651,840,135	₱1,943,573,979

Advances to Vicinetum amounted to ₱1.4 million as at December 31, 2017 and 2016, net of allowance for doubtful accounts of ₱564.8 million in 2017 and 2016.

On November 22, 2017, the Company and a stockholder of Fremont Holdings Inc. (FHI), entered into a conditional deed of sale for the Company's purchase of 12.75% stake in FHI. Consequently, the Company made an advance payment of ₱77.1 million for the said transaction.

Investments at equity consist of:

	2017	2016
Acquisition cost:		
Common shares	**₱309,200,939**	₱199,199,033
Preferred shares	**2,066,437,018**	2,059,988,045
Total	**2,375,637,957**	2,259,187,078
Accumulated equity in net earnings - net of valuation allowance	**(1,054,606,791)**	(557,507,726)
Effect of foreign exchange differences	**249,075,000**	239,625,000
	₱1,570,106,166	₱1,941,304,352

The significant transactions involving the Group's investments in associates for 2017 and 2016 follow:

AGP International Holdings Ltd. (AGPI)

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

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

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

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

The total cost of the investment in AGPI amounted to ₱2.0 billion. As at December 31, 2017 and 2016, the carrying value of the investment amounted to ₱1,448.7 million and ₱1,941.3 million, respectively.

AG&P is looking to raise critically needed equity to fund projects as of February 22, 2018. Consequently, the Group recognized a provision of ₱500 million in 2017.

The following are the significant financial information relevant to the Group's investment in AGPI as at and for the years ended December 31, 2017 and 2016 (in millions):

	2017	2016
Equity	**₱8,223.5**	₱7,385.2
Net income	**844.3**	1,447.7

AIMP

In 2013, the Company invested ₱18.8 million in 15,000,000 common shares and ₱18.8 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares in AIMP. These investments give the Company a total of 10% interest in the entity.

On July 6, 2017, the Company invested additional ₱91.6 million equivalent to 15,000,000 common shares, resulting to an increase in ownership from 10% to 20%, which allows the Company to exercise significant influence over AIMP.

On December 22, 2017, AIMP redeemed the 12.3 million preferred shares held by the Company for ₱15.6 million, inclusive of dividends accumulating to the Company amounting to ₱3.3 million.

As at December 31, 2017 and 2016, the carrying value of the investment in AIMP amounted to ₱119.4 million presented under investment at equity and ₱37.5 million presented under AFS investment, respectively.

The Group recognized equity in net earnings amounting to ₱2.9 million in 2017.

BM

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

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

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

In 2016 and 2015, AI provided impairment loss on its investment in BM amounting to ₱62.2 million [presented under "Equity in net earnings (losses) - net" in the consolidated statement of income] and ₱57.2 million (see Note 23), respectively.

As at December 31, 2017 and 2016, the net carrying value of AI's investment in BM amounted to nil.

Prople Limited

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

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

In 2016 and 2015, AI provided impairment loss on its investment in Prople amounting to ₱10.6 million (presented under "Equity in net earnings (losses) - net" in the consolidated statement of income) and ₱197.9 million (see Note 23), respectively.

As at December 31, 2017 and 2016, the net carrying value of AI's investment in Prople presented under investments in equity and AFS investments, respectively, amounted to nil.

The associates as at December 31, 2017 and 2016 have no contingent liabilities or capital commitments.

14. Property and Equipment

	2017					
	Land, Buildings and Improvements	Flight Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱2,666,305,570	₱853,239,755	₱438,201,026	₱183,866,266	₱37,517,163	₱4,179,129,780
Additions	21,210,943	23,562,066	67,288,333	28,124,048	149,246,622	289,432,012
Reclassification	11,514,697	145,100,011	1,127,646	9,729,729	(167,472,083)	–
Retirement/disposals	(10,744,379)	–	(36,657,135)	(13,360,972)	–	(60,762,486)
December 31	2,688,286,831	1,021,901,832	469,959,870	208,359,071	19,291,702	4,407,799,306
Accumulated Depreciation and Amortization						
January 1	695,524,285	403,883,303	308,722,871	122,268,282	–	1,530,398,741
Depreciation and amortization	80,392,277	106,259,575	42,730,011	22,707,069	–	252,088,932
Retirement/disposals	(10,060,411)	–	(21,756,403)	(11,060,352)	–	(42,877,166)
December 31	765,856,151	510,142,878	329,696,479	133,914,999	–	1,739,610,507
Net Book Value	₱1,922,430,680	₱511,758,954	₱140,263,391	₱74,444,072	₱19,291,702	₱2,668,188,799

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

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

Depreciation charged to operations amounted to ₱252.1 million, ₱234.1 million, and ₱236.8 million in 2017, 2016 and 2017, respectively (see Note 21).

15. Investment Properties

	2017	2016
January 1	**₱234,877,835**	₱260,569,744
Additions	**1,643,800**	640,000
Disposals	**–**	(26,331,909)
December 31	**₱236,521,635**	₱234,877,835

The Group's investment properties include 144.4 hectares of land in Palawan, 36.9 hectares of land in Cebu, and 97.4 hectares in Guimaras.

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

Based on the valuation performed by professionally qualified, accredited and independent appraisers as at November and December 2017, the aggregate fair market values of investment properties amounted to ₱960.4 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

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

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

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

In 2017 and 2016, the Group derived no income from these investment properties.

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2017, 2016 and 2015.

16. Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets as at December 31 include:

	2017	2016
Fund for villa operations and capital expenditures (Note 30)	**₱91,846,387**	₱85,261,048
Deposit to supplier (Note 30)	**56,461,954**	35,191,266
Computer software	**13,845,662**	–
Deferred nurse cost	**2,099,165**	3,242,209
Refundable deposits	**691,203**	2,096,322
Others	**3,361,271**	3,215,933
	₱168,305,642	₱129,006,778

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 30).

Other noncurrent liabilities also include ₱140.7 million and ₱161.2 million fund for future infrastructure and utility development of villas as at December 31, 2017 and 2016, respectively, which is an allocated charge to the villa owners. The fund is intended to be used for putting up new infrastructure or utilities such as power generating units, roads, potable water, and sewer and irrigation lines, electrical and auxiliary lines essential for a villa to be operable. The fund also includes the villa's share in the future expansion of the existing back-of-house facilities (power generation, potable water production, sewage treatment plant, etc.) of PRI so that the resort's utilities' capacity can accommodate the additional demand that arises from the proposed new villa.

17. Notes Payable

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

Details of the Group's short-term borrowing transactions are as follows:

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

b. The Company availed of loans from local banks totaling to nil and ₱554.0 million in 2017 and 2016, respectively. Terms of the loans is 11 to 30 days with rates ranging from 2.6% to 7%. As at December 31, 2016, the loans were fully paid.

c. The Group's unavailed loan credit line from banks amounted to ₱3,125.0 million and ₱3,025.0 million as at December 31, 2017 and 2016, respectively.

d. Total interest expense from these loans recognized in the consolidated statements of income amounted to ₱5.4 million in 2017, ₱2.3 million in 2016, and ₱21.7 million in 2015 (see Note 23).

18. Accounts Payable and Accrued Expenses

	2017	2016
Trade payables	**₱ 506,798,981**	₱451,701,048
Accrued expenses (Note 32)	**186,358,796**	214,192,989
Payable to contractors	**54,985,469**	34,627,981
Refundable deposits	**53,394,572**	181,519,584
Payable to government agencies	**33,520,019**	41,795,677
Payable to villa owners	**29,256,688**	4,162,545
Other payables	**44,616,802**	41,798,985
	₱908,931,327	₱969,798,809

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

Accrued expenses include unpaid operating costs of the Group.

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

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

19. **Long-term Debt**

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

	2017	2016
Anscor	**₱1,011,082,500**	₱1,566,180,000
PDP	**681,428,571**	942,857,143
IAI	**26,213,250**	36,544,200
	1,718,724,321	2,545,581,343
Less current portion	**611,283,871**	629,350,200
	₱1,107,440,450	₱1,916,231,143

a. On June 24, 2013, the Company obtained a loan amounting to US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AG&P. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱2,327.8 million and ₱2,273.7 million as at December 31, 2017 and 2016, respectively. This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As at December 31, 2017 and 2016, the Company is in compliance with the debt covenants. A portion of the pledged shares are expected to be released in 2018.

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

   PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the Bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2017 and 2016, PDP Energy is in compliance with the debt covenants.

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

   - Real estate mortgage over the land owned by Minuet;
   - Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;

- Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
- Assignment of leasehold rentals of the properties located in PDP Energy's premises.

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

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

	2017	2016
Beginning balance	**₱942,857,143**	₱1,114,285,714
Payments	**(261,428,571)**	(171,428,571)
Ending balance	**681,428,572**	942,857,143
Less current portion	**151,428,572**	171,429,000
Noncurrent portion	**₱530,000,000**	₱771,428,143

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

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

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

Total interest expense recognized in the consolidated statements of income amounted to ₱84.8 million, ₱105.0 million, and ₱94.9 million in 2017, 2016 and 2015, respectively (see Note 23).

20. Equity

Equity holders of the Parent

Capital stock consists of the following common shares:

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

Outstanding shares, net of shares held by a subsidiary, as at December 31, 2017 and 2016 totaled 1,217,173,254 and 1,232,593,254, respectively. The Company's number of equity holders as at December 31, 2017 and 2016 is 11,175 and 11,225, respectively.

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

In 2017, 2016 and 2015, the Company declared the following cash dividends:

	2017	2016	2015
Cash dividends per share	**₱0.20**	₱0.20	₱0.10
Month of declaration	**February**	March	May
Total cash dividends	**₱500.0 million**	₱500.0 million	₱250.0 million
Share of a subsidiary	**₱255.6 million**	₱253.5 million	₱125.8 million

As at December 31, 2017 and 2016, the Company's dividends payable amounted to ₱252.6 million and ₱242.2 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2017 and 2016 due to problematic addresses of some of the Company's stockholders.

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

	Amount
Total appropriations as at December 31, 2015	₱6,300,000,000
2016 appropriation	850,000,000
Total appropriations as at December 31, 2016	7,150,000,000
2017 appropriation	–
Total appropriations as at December 31, 2017	₱7,150,000,000

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

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

- Balance of gross deferred income tax assets amounting ₱74.1 million and ₱89.7 million as at December 31, 2017 and 2016, respectively.
- Shares in the undistributed retained earnings of subsidiaries amounting to ₱3.4 billion and ₱2.6 billion as at December 31, 2017 and 2016, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary
As at December 31, 2017 and 2016, Anscorcon holds 1,282,826,746 shares and 1,267,406,746 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱98.0 million (15,420,000 shares) and ₱6.8 million (1,106,100 shares) in 2017 and 2016, respectively.

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

Cost of goods sold consists of:

	2017	2016	2015
Materials used and changes in inventories (Note 11)	**₱5,676,034,719**	₱4,780,202,671	₱4,547,877,135
Salaries, wages and employee benefits (Note 22)	**103,673,725**	100,910,214	90,045,965
Repairs and maintenance	**96,049,867**	126,373,261	102,892,525

(Forward)

	2017	2016	2015
Utilities	**₱95,680,984**	₱82,975,821	₱88,514,624
Depreciation and amortization (Note 14)	**81,484,916**	78,018,330	80,706,067
Transportation and travel	**7,269,253**	5,460,042	5,590,431
Insurance	**1,963,935**	1,968,394	2,489,433
Dues and subscriptions	**1,678,179**	1,676,767	1,680,190
Others	**5,448,347**	10,746,797	11,977,260
	₱6,069,283,925	₱5,188,332,297	₱4,931,773,630

Cost of services rendered consists of:

	2017	2016	2015
Salaries, wages and employee benefits (Note 22)	**₱1,289,293,587**	₱1,587,150,307	₱1,177,618,229
Resort operating costs	**133,218,885**	101,640,624	105,012,101
Recruitment services	**92,755,902**	123,367,404	89,437,777
Dues and subscriptions	**81,585,965**	106,726,263	65,420,731
Insurance	**81,553,473**	123,475,477	90,683,928
Transportation and travel	**42,361,989**	50,954,088	36,144,655
Fuel cost	**38,697,088**	26,581,852	33,328,482
Depreciation and amortization (Note 14)	**36,007,747**	27,405,992	28,409,146
Materials and supplies - resort operations	**33,887,885**	29,936,594	30,502,161
Repairs and maintenance	**31,669,833**	24,344,528	22,173,010
Outside services	**31,292,147**	36,347,026	43,162,954
Housing cost	**21,435,435**	30,138,144	31,219,222
Commissions	**14,433,118**	12,422,708	15,260,469
Variable nurse costs	**4,301,692**	7,748,434	7,461,184
Others	**32,979,684**	24,339,165	33,268,392
	₱1,965,474,430	₱2,312,578,606	₱1,809,102,441

Operating expenses consist of:

	2017	2016	2015
Salaries, wages and employee benefits (Note 22)	**₱477,471,625**	₱370,375,345	₱340,945,122
Advertising	**137,259,575**	109,709,523	116,267,925
Depreciation and amortization (Note 14)	**134,596,269**	128,644,433	127,652,687
Professional and directors' fees	**101,609,174**	124,630,473	94,483,322
Shipping and delivery expenses	**73,042,079**	84,507,245	79,891,698
Taxes and licenses	**63,332,683**	140,391,738	67,625,106
Utilities	**59,820,387**	55,643,818	68,855,836
Commissions	**52,724,604**	41,995,138	40,094,155
Transportation and travel	**46,511,932**	52,910,938	21,025,407
Repairs and maintenance	**37,356,821**	36,002,550	41,432,321
Insurance	**27,054,456**	29,866,029	26,148,572
Rental (Note 30)	**19,774,667**	21,633,810	18,756,512

(Forward)

	2017	2016	2015
Security services	**₱18,834,745**	₱18,152,937	₱18,307,777
Communications	**18,264,179**	19,187,297	19,212,844
Donation and contribution	**11,892,819**	8,162,186	7,632,540
Meetings and conferences	**11,770,509**	10,414,427	3,783,380
International processing cost	**10,332,545**	14,422,025	7,356,938
Association dues	**9,194,886**	7,714,913	7,690,415
Entertainment, amusement and recreation	**7,729,117**	12,757,890	18,550,777
Office supplies	**6,237,676**	6,482,155	7,263,853
Medical expenses	**6,137,045**	3,889,441	3,632,848
Computer programming	**4,592,662**	6,537,040	3,209,205
Others	**45,571,296**	43,738,301	28,755,833
	₱1,381,111,751	₱1,347,769,652	₱1,168,575,073

In 2017, 2016 and 2015, the Company paid bonus to its non-executive directors amounting to ₱10.4 million, ₱9.0 million, and ₱13.4 million, respectively.

As approved in 2004, the directors are given bonus representing no more than 1% of previous year's net income.

22. Personnel Expenses

	2017	2016	2015
Salaries and wages	**₱1,783,523,136**	₱1,987,758,372	₱1,479,276,277
Pension costs (Note 24)	**16,747,851**	15,698,052	16,230,854
Social security premiums, meals and other employees' benefits	**70,167,950**	54,979,442	113,102,185
	₱1,870,438,937	₱2,058,435,866	₱1,608,609,316

In 2017, 2016 and 2015, the Company declared and paid bonuses to its executive officers amounting to ₱48.7 million, ₱41.3 million, and ₱66.3 million, respectively.

Annual bonus of no more than 3% of the preceding year's net income is given to executive officers as approved in 2004.

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

Interest income consists of:

	2017	2016	2015
Debt instruments (Notes 9 and 12)	**₱78,484,323**	₱79,517,862	₱73,314,316
Cash and cash equivalents (Note 8)	**13,675,637**	5,512,222	4,679,094
Funds and equities	**1,926,566**	3,326,334	5,309,052
Others	**4,792,053**	6,955,209	12,957
	₱98,878,579	₱95,311,627	₱83,315,419

Interest income on debt instruments is net of bond discount amortization amounting to ₱1.7 million in 2017, ₱0.5 million in 2016, and ₱0.4 million in 2015.

Interest expense consists of:

	2017	2016	2015
Long-term debt (Note 19)	**₱84,832,172**	₱104,959,908	₱94,940,763
Notes payable (Note 17)	**5,385,859**	2,259,110	21,652,492
Others	**306,006**	1,788,116	5,979
	₱90,524,037	₱109,007,134	₱116,599,234

Other income (charges) consists of:

	2017	2016	2015
Valuation allowances on:			
AFS investments (Note 12)	**(₱125,550,564)**	(₱590,899,207)	(₱805,238,727)
Receivables (Note 10)	**(18,477,727)**	(26,082,261)	(32,110,190)
Construction materials and other supplies	**(5,363,689)**	–	–
Other current and noncurrent assets	**–**	(1,584,786)	(3,774,453)
Deal-related expenses	**(99,183,573)**	–	–
Service fee	**9,910,777**	–	59,050,000
Write-off of noncurrent assets	**(105,662,888)**	–	–
Sale of real property	**19,162,207**	–	–
Recovery of allowances for impairment losses (Notes 10, 11 and 12)	**–**	16,509,318	–
Rental income	**6,709,294**	7,542,788	3,771,910
Others	**31,105,632**	60,029,550	24,701,343
	(₱287,350,531)	(₱534,484,598)	(₱753,600,117)

Before the sale of CMSI on October 19, 2017, CMSI wrote off its investments in NT and Cirrus Allied. Deal-related expenses pertain to the management bonuses, legal and advisory fees incurred in relation to the sale of the subsidiary (see Note 7).

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

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

24. Pension

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

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as at December 31, 2017 and 2016 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.13% to 7.88% and from 2.13% to 9.13% in 2017 and 2016 and have maturities from May 23, 2018 to December 7, 2026 and from September 4, 2016 to October 24, 2037 in 2017 and 2016;

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 0.18% to 8.00% in 2017 and 2.13% to 8.5% in 2016 and have maturities from January 3, 2018 to July 19, 2031 in 2017 and from May 22, 2017 to April 20, 2025 in 2016; and

d. Investments in equity securities, which consist of actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As at December 31, 2017 and 2016, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱46.8 million and ₱39.9 million, respectively. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱4.7 million and ₱3.2 million in 2017 and 2016, respectively.

As at December 31, 2017 and 2016, the Fund's carrying value and fair value amounted to ₱499.2 million and ₱448.6 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2017	2016	2015
Retirement benefit cost:			
Current service cost	**₱19,689,927**	₱18,559,744	₱19,132,392
Net interest	**(2,942,076)**	(2,861,692)	(2,901,538)
Net benefit expense (Note 22)	**₱16,747,851**	₱15,698,052	₱16,230,854
Actual return on plan assets	**₱38,487,657**	₱5,905,193	₱1,824,388

Changes in net retirement plan asset are as follows:

	2017	2016	2015
Net retirement plan asset, beginning	**₱60,191,266**	₱59,482,997	₱65,533,724
Current service cost	**(14,782,486)**	(13,968,281)	(13,310,014)
Net interest	**3,133,176**	3,015,453	3,221,383
	(11,649,310)	(10,952,828)	(10,088,631)
Actuarial changes arising from:			
Remeasurement of plan assets	**17,799,154**	(13,230,751)	(17,100,815)
Experience adjustments	**29,303,887**	8,514,257	7,386,456
Changes in financial assumptions	**11,077,214**	–	99,446
Changes in the effect of asset ceiling	**(23,307,335)**	5,045,756	2,473,743
	34,872,920	329,262	(7,141,170)
Contribution	**10,291,808**	10,917,120	11,179,074
Transfer from net retirement benefits payable	**–**	414,715	–
Net retirement plan asset, end	**₱93,706,684**	₱60,191,266	₱59,482,997

Changes in net retirement benefits payable are as follows:

	2017	2016	2015
Net retirement benefits payable, beginning	**(₱4,211,769)**	(₱6,666,773)	(₱9,054,911)
Current service cost	**(4,907,441)**	(4,591,463)	(5,822,378)
Net interest	**(191,100)**	(153,761)	(319,845)
	(5,098,541)	(4,745,224)	(6,142,223)
Actuarial changes arising from:			
Changes in financial assumptions	**(5,204,141)**	2,184,750	4,190,933
Experience adjustments	**1,732,226**	(52,784)	(4,826,719)
Remeasurement of plan assets	**(1,439,886)**	(1,593,549)	(581,257)
Changes in the effect of asset ceiling	**–**	43,978	–
	(4,911,801)	538,417	(1,217,043)
Withdrawal of plan assets	**(1,575,169)**	–	–
Contribution	**6,367,740**	7,032,548	9,747,404
Transfer to net retirement plan asset	**887,266**	(414,715)	–
Reduction in net retirement benefits payable for disposed subsidiary (Note 7)	**245,466**	–	–
Net retirement benefits payable, end	**(₱9,184,074)**	(₱4,211,769)	(₱6,666,773)

Computation of net retirement plan assets (liabilities):

2017

	Net Retirement Plan Assets	Net Retirement Liabilities	Total
Present value of defined benefit obligation	**(₱337,512,482)**	**(₱48,917,890)**	**(₱386,430,372)**
Fair value of plan assets	**459,480,261**	**39,733,816**	**499,214,077**
Surplus (deficit)	**121,967,779**	**(9,184,074)**	**112,783,705**
Effect of the asset ceiling	**(28,261,095)**	**–**	**(28,261,095)**
Retirement plan assets (liabilities)	**₱93,706,684**	**(₱9,184,074)**	**₱84,522,610**

2016

	Net Retirement Plan Assets	Net Retirement Liabilities	Total
Present value of defined benefit obligation	(₱346,015,862)	(₱41,890,705)	(₱387,906,567)
Fair value of plan assets	410,514,332	38,093,651	448,607,983
Surplus (deficit)	64,498,470	(3,797,054)	60,701,416
Effect of the asset ceiling	(4,721,919)	–	(4,721,919)
Transfer to retirement plan asset	414,715	(414,715)	–
Retirement plan assets (liabilities)	₱60,191,266	(₱4,211,769)	₱55,979,497

Changes in the present value of defined benefit obligation:

	2017	2016
Defined benefit obligation, beginning	**₱387,906,567**	₱364,530,873
Interest cost	**18,954,472**	17,433,766
Current service cost	**19,689,927**	18,559,744
Benefits paid from plan assets	**(2,965,942)**	(1,971,593)
Remeasurement in other comprehensive income:		
Actuarial gain - changes in financial assumptions	**(5,873,073)**	(2,184,750)
Actuarial gain - experience adjustments	**(31,036,113)**	(8,461,473)
Reduction in net retirement benefits payable for disposed subsidiary	**(245,466)**	–
Defined benefit obligation, ending	**₱386,430,372**	₱387,906,567

Changes in the fair value of plan assets:

	2017	2016
Fair value of plan assets, beginning	**₱448,607,983**	₱426,724,715
Interest income	**22,128,389**	20,729,493
Contributions	**16,659,548**	17,949,668

(Forward)

	2017	2016
Remeasurement gain (loss)	**₱16,359,268**	(₱14,824,300)
Benefits paid from plan assets	**(2,965,942)**	(1,971,593)
Withdrawal of plan asset	**(1,575,169)**	–
Fair value of plan assets, ending	**₱499,214,077**	₱448,607,983

Changes in the effect of asset ceiling:

	2017	2016
Beginning balance	**₱4,721,919**	₱9,377,618
Changes in the effect of asset ceiling	**23,307,335**	(5,089,734)
Interest on the effect of asset ceiling	**231,841**	434,035
Ending balance	**₱28,261,095**	₱4,721,919

The fair value of plan assets as at December 31 are as follows:

	2017	2016
Debt instruments	**₱224,377,096**	₱185,013,512
Equity instruments	**123,004,213**	92,751,984
Unit investment trust funds	**80,194,287**	109,446,594
Cash and cash equivalents	**31,326,832**	45,425,257
Others	**40,311,649**	15,970,636
	₱499,214,077	₱448,607,983

The financial instruments with quoted prices in active market amounted to ₱346.2 million and ₱299.5 million as at December 31, 2017 and 2016, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Company, PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2017	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates		
	-3.60% to -4.00%	**₱13,017,482**
	+3.20% to +3.70%	**(11,807,861)**
Future salary increases		
	+2.60% to +7.30%	**₱12,584,029**
	-2.40% to -6.30%	**(11,238,844)**

2016	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	-0.70% to -4.00%	₱3,566,736
	+0.60% to +4.40%	(3,876,060)
Future salary increases	+1.10% to +8.40%	₱6,874,329
	-1.00% to -7.20%	(6,004,623)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries except PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2017	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**-3.80% to -8.30%**	**₱3,343,818**
	+3.60% to +10.90%	**(2,935,521)**
Future salary increase	**+2.80% to +11.70%**	**₱2,910,634**
	-2.70% to -10.30%	**(2,615,653)**

2016	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	-4.10% to -8.10%	₱897,356
	+4.60% to +9.10%	(712,052)
Future salary increase	+4.10% to +8.40%	₱1,380,422
	-3.80% to -7.40%	(1,240,425)

The Group expects to make contributions amounting to ₱20.9 million to its defined benefit pension plans in 2018.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2017	2016
Discount rate	**4.90% to 5.98%**	4.64% to 5.86%
Future salary increases	**4.00% to 6.00%**	3.00% to 5.00%

The weighted average duration of the defined benefit obligation as at December 31, 2017 and 2016 ranges from 3.4 to 11.8 years and 1.8 to 11.8 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2017 and 2016:

Year	**2017**	2016
2017	**₱–**	₱159,025,500
2018	**175,842,889**	13,262,761
2019	**96,288,530**	6,982,818
2020	**20,884,755**	11,495,521
2021	**3,590,974**	88,259,168
2022	**8,188,879**	31,296,005
2023 to 2027	**123,157,721**	–

25. Income Taxes

The provision for income tax consists of:

	2017	2016	2015
Current	**₱257,289,929**	₱338,260,726	₱272,752,008
Deferred	**(6,546,821)**	85,435,341	36,645,647
	₱250,743,108	₱423,696,067	₱309,397,655

The components of the net deferred income tax assets (liabilities) are as follows:

	2017		2016	
	Net Deferred Income Tax Assets[1]	**Net Deferred Income Tax (Liabilities)[2]**	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax (Liabilities)[2]
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowance for doubtful accounts	**₱26,319,100**	**₱–**	₱26,498,106	₱6,145,889
Allowance for inventory losses	**22,019,349**	**–**	24,772,634	–
Accrued expenses	**9,187,922**	**–**	8,608,406	3,972,777
Unamortized past service cost	**2,241,396**	**1,390,161**	1,630,587	1,621,856
Unrealized foreign exchange loss	**958,847**	**6,357,105**	1,309,770	6,194,707
Retirement benefits payable	**887,045**	**–**	1,448,372	–
Market adjustment on FVPL	**–**	**2,537,240**	–	5,228,502
Others	**2,184,932**	**–**	2,229,188	–
	63,798,591	**10,284,506**	66,497,063	23,163,731
Deferred income tax liabilities on:				
Retirement plan assets	**(2,693,409)**	**(3,156,397)**	(2,961,335)	(3,113,386)
Unrealized foreign exchange gains	**(107,418)**	**–**	(667,578)	–
Uncollected management fee	**–**	**(11,108,875)**	–	(8,462,334)
Fair value adjustment	**–**	**(332,403,041)**	–	(356,389,025)
Goodwill amortization of Cirrus*	**–**	**–**	–	(182,916,257)
	(2,800,827)	**(346,668,313)**	(3,628,913)	(550,881,002)
	₱60,997,764	**(₱336,383,807)**	₱62,868,150	(₱527,717,271)
Recognized in the consolidated other comprehensive income:				
Deferred income tax liabilities on:				
Unrealized valuation gains on AFS investments	**(1,047,565)**	**(61,047,854)**	(944,264)	(59,686,616)
Cumulative actuarial gains	**1,132,280**	**(23,082,658)**	380,955	(12,756,171)
	84,715	**(84,130,512)**	(563,309)	(72,442,787)
	₱61,082,479	**(₱420,514,319)**	₱62,304,841	(₱600,160,058)

[1] Pertain to PDP, SSRLI, ASAC, APHI, AHI, Anscorcon and Sutton
[2] Pertain to Anscor and AI
**Pertain to CMSI which was sold on October 19, 2017.*

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2017	2016
Allowances for:		
Impairment losses	**₱1,159,104,810**	₱1,527,630,711
Doubtful accounts	**563,079,480**	569,379,331
Inventory losses	**–**	3,877,877
NOLCO	**221,541,975**	269,860,049
Accrued pension benefits and others	**6,409,266**	16,256,984
Unrealized foreign exchange losses	**2,364,044**	11,473,695
Provision for probable losses and lawsuits	**5,721,158**	5,721,158
MCIT	**5,263,666**	4,745,193

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2017, 2016 and 2015 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2017, 2016 and 2015.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2017	2016	2015
Provision for income tax at statutory tax rates	**₱570,752,759**	₱634,196,025	₱501,797,840
Additions to (reductions from) income taxes resulting from:			
Gain on sale of AFS investments, marketable equity securities and other investments subjected to final tax	**(22,961,722)**	(165,363,218)	(322,201,613)
Income tax at 5% GIT	**(100,526,977)**	(94,108,256)	(72,567,282)
Movement in unrecognized deferred income tax assets	**(133,275,249)**	66,327,305	262,898,352
Dividend income not subject to income tax	**(76,819,592)**	(65,639,343)	(62,895,499)
Expired NOLCO and MCIT	**33,525,897**	38,513,380	21,800,602
Nontaxable income	**(3,956,795)**	(9,622,892)	–
Interest income already subjected to final tax	**(3,671,966)**	(1,006,593)	(335,147)
Equity in net earnings of associates not subject to income tax	**(870,280)**	–	(46,186,157)
Others	**(11,452,967)**	20,399,659	27,086,559
	₱250,743,108	₱423,696,067	₱309,397,655

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

Period of Recognition	Availment period	Amount	Additions	Applied	Expired	Balance
2014	2015-2017	₱107,543,065	₱–	₱–	(₱107,543,065)	₱–
2015	2016-2018	159,571,086	–	–	–	159,571,086
2016	2017-2019	2,745,898	–	–	–	2,745,898
2017	2018-2020	–	59,224,991	–	–	59,224,991
		₱269,860,049	₱59,224,991	₱–	(₱107,543,065)	₱221,541,975

MCIT

Period of Recognition	Availment period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2014	2015-2017	₱1,611,284	₱–	₱–	(₱1,312,624)	(₱298,660)	₱–
2015	2016-2018	919,233	–	–	–	(261,547)	657,686
2016	2017-2019	2,774,883	–	–	–	–	2,774,883
2017	2018-2020	–	1,831,097	–	–	–	1,831,097
		₱5,305,400	₱1,831,097	₱–	(₱1,312,624)	(₱560,207)	₱5,263,666

**Adjustment pertains to the unexpired portion of MCIT of APHI*

26. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2017	2016	2015
Net income attributable to equity holders of the parent	**₱1,580,819,946**	₱1,522,796,705	₱1,282,782,660
Weighted average number of shares (Note 20)	**1,224,247,737**	1,232,679,551	1,244,599,629
Earnings per share	**₱1.29**	₱1.24	₱1.03

The Company does not have potentially dilutive common stock equivalents in 2017, 2016 and 2015.

27. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the normal course of business and in addition to those disclosed in Notes 13 and 30, the Group grants/receives cash advances to/from its associates and affiliates.

Compensation of the Group's key management personnel (in millions):

	2017	2016	2015
Short-term employee benefits (Note 22)	**₱158.1**	₱165.6	₱154.7
Post-employment benefits (Note 24)	**7.7**	8.1	7.6
Total	**₱165.8**	₱173.7	₱162.3

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

28. Financial Risk Management Objectives and Policies

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

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields, and

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

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

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

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

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2017	2016
Cash in banks	**₱1,294,591,376**	₱1,803,068,523
Short-term investments*	**1,619,315,971**	670,981,773
FVPL investments - bonds	**833,776,158**	744,616,051
AFS investments - debt instruments	**684,500,101**	847,825,052
	4,432,183,606	4,066,491,399
Loans and receivables:		
Trade	**1,574,371,146**	1,937,863,768
Notes receivable	**–**	32,000,000
Interest receivable	**22,046,675**	21,850,380
Advances to employees	**13,285,580**	14,567,248
Receivable from villa owners	**13,106,894**	11,069,973
Dividend receivable	**3,299,071**	3,299,071
Others**	**5,405,001**	6,839,512
	1,631,514,367	2,027,489,952
	₱6,063,697,973	₱6,093,981,351

**Including short term investments amounting to ₱70.5 million presented under "Other current assets" as at December 31, 2016.*
***Excluding advances to suppliers amounting to ₱0.3 million as at December 31, 2017 and 2016.*

Credit quality per class of financial assets

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

The tables below show the credit quality by class of financial asset based on the Group's credit rating system:

	Financial Assets that are Neither Past Due nor Impaired				
2017	**High Grade**	**Standard Grade**	**Past Due but Not Impaired**	**Impaired**	**Total**
Cash in banks	**₱1,294,591,376**	**₱–**	**₱–**	**₱–**	**₱1,294,591,376**
Short-term investments	**1,619,315,971**	**–**	**–**	**–**	**1,619,315,971**
FVPL investments - bonds	**40,742,880**	**793,033,278**	**–**	**–**	**833,776,158**
AFS investments -					
Debt instruments	**–**	**684,500,101**	**–**	**140,906,039**	**825,406,140**
Receivables:					
Trade	**–**	**878,032,018**	**696,339,128**	**57,801,472**	**1,632,172,618**
Interest receivable	**–**	**22,046,675**	**–**	**591,095**	**22,637,770**
Advances to employees	**9,633,694**	**3,651,886**	**–**	**–**	**13,285,580**
Receivable from villa owners	**–**	**13,106,894**	**–**	**–**	**13,106,894**
Dividend receivable	**–**	**3,299,071**	**–**	**–**	**3,299,071**
Others	**–**	**1,902,305**	**3,502,696**	**2,005,730**	**7,410,731**
	₱2,964,283,921	**₱2,399,572,228**	**₱699,841,824**	**₱201,304,336**	**₱6,265,002,309**

**Excluding advances to suppliers amounting to ₱0.3 million as at December 31, 2017.*

2016	Financial Assets that are Neither Past Due nor Impaired High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Cash in banks	₱1,803,068,523	₱–	₱–	₱–	₱1,803,068,523
Short-term investments*	670,981,773	–	–	–	670,981,773
FVPL investments - bonds	64,101,510	680,514,541	–	–	744,616,051
AFS investments - debt instruments	14,654,970	833,170,082	–	58,000,000	905,825,052
Receivables:					
Trade	–	1,429,619,823	508,243,945	63,616,355	2,001,480,123
Notes receivables	–	32,000,000	–	–	32,000,000
Interest receivable	–	21,850,380	–	–	21,850,380
Advances to employees	10,766,272	3,800,976	–	–	14,567,248
Receivable from villa owners	–	11,069,973	–	–	11,069,973
Dividend receivable	–	3,299,071	–	–	3,299,071
Others**	3,039	6,070,411	766,062	1,833,158	8,672,670
	₱2,563,576,087	₱3,021,395,257	₱509,010,007	₱123,449,513	₱6,217,430,864

*Including short-term investments amounting to ₱70.5 million presented under "Other current assets."
***Excluding advances to suppliers amounting to ₱0.3 million as at December 31, 2016.

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

Financial assets that are past due but not impaired
The table below shows the aging analysis of past due but not impaired loans/receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

Trade and Others	**Financial Assets that are Past Due but Not Impaired** Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
December 31, 2017	**₱348,594,046**	**₱182,217,259**	**₱33,119,417**	**₱135,911,102**	**₱699,841,824**
December 31, 2016	288,083,008	130,946,255	69,093,076	20,887,668	509,010,007

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

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

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2017	**Within 6 months**	**6 to 12 months**	**Over 1 up to 5 years**	**Over 5 years**	**Total**
Cash on hand and with banks	**₱1,294,591,376**	**₱–**	**₱–**	**₱–**	**₱1,294,591,376**
Short-term investments	**1,619,315,971**	**–**	**–**	**–**	**1,619,315,971**
FVPL investments -					
bonds	**60,165,650**	**72,419,915**	**496,213,101**	**204,977,492**	**833,776,158**
AFS investments -					
bonds	**–**	**30,165,460**	**257,473,349**	**396,861,292**	**684,500,101**
Receivables*	**1,534,249,339**	**50,019,898**	**37,272,961**	**9,972,169**	**1,631,514,367**
	4,508,322,336	**152,605,273**	**790,959,411**	**611,810,953**	**6,063,697,973**
Notes payable					
Accounts payable and accrued expenses**	**793,412,880**	**81,998,428**	**–**	**–**	**875,411,308**
Long-term debt	**211,008,430**	**400,275,441**	**1,107,440,450**	**–**	**1,718,724,321**
Dividends payable	**252,554,370**	**–**	**–**	**–**	**252,554,370**
	₱1,256,975,680	**₱482,273,869**	**₱1,107,440,450**	**₱–**	**₱2,846,689,999**

**Excluding non-financial assets amounting to ₱151.9 million.*
***Excluding non-financial liabilities amounting to ₱53.2 million.*

December 31, 2016	Within 6 months	6 to 12 months	Over 1 up to 5 years	Over 5 years	Total
Cash on hand and with banks	₱1,803,257,745	₱–	₱–	₱–	₱1,803,257,745
Short-term investments*	670,981,773	–	–	–	670,981,773
FVPL investments -					
bonds	24,300,650	9,793,305	513,202,670	197,319,426	744,616,051
AFS investments -					
Bonds	–	47,728,517	472,588,641	327,507,894	847,825,052
Receivables**	1,572,657,610	418,575,998	24,745,751	11,510,593	2,027,489,952
	4,071,197,778	476,097,820	1,010,537,062	536,337,913	6,094,170,573
Notes payable	91,948,200	–	–	–	91,948,200
Accounts payable and accrued expenses**	785,540,886	142,462,246	–	–	928,003,132
Long-term debt	223,740,000	405,610,200	1,916,231,143	–	2,545,581,343
Dividends payable	241,914,173	294,233	–	–	242,208,406
	₱1,343,143,259	₱548,366,679	₱1,916,231,143	₱–	₱3,807,741,081

**Including short-term investment amounting to ₱70.5 million under "Other current assets."*
***Excluding non-financial assets amounting to ₱140.0 million.*
****Excluding non-financial liabilities amounting to ₱41.8 million*

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

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

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

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

a. Interest rate risks

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

The following table demonstrates management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating debt instrument	**Change in interest rates [in basis points (bps)]**	**Effect on income before tax increase (decrease)**
2017	**+150**	**(₱14.04)**
	-150	**14.04**
2016	+150	(22.22)
	-150	22.22

The sensitivity analysis shows the effect on the consolidated statements of income of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held as at December 31, 2017 and 2016. There is no other impact on equity other than those affecting profit and loss.

Fair value interest rate risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The table below shows the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as AFS. The impact of change in interest rates are as follows (in millions):

	Change in	**Increase (Decrease)**	
2017	**interest rates (in bps)**	**Effect on income before tax**	**Effect on equity**
AFS investments	**+100**	**₱–**	**(₱18.08)**
	-100	**–**	**19.60**
FVPL investments	**+100**	**(19.56)**	**–**
	-100	**20.64**	**–**

	Change in	Increase (Decrease)	
2016	interest rates (in bps)	Effect on income before tax	Effect on equity
AFS investments	+100	₱–	(₱17.89)
	-100	–	19.11
FVPL investments	+100	(18.47)	–
	-100	19.48	–

b. Equity price risk

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

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

The table below shows the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach. The impact of the change in equity prices is as follows (in millions):

		Increase (Decrease)	
AFS investments	**Change in PSE price index**	**Effect on income before tax**	**Effect on equity**
2017	**+11.86%**	**₱–**	**₱444.67**
	-11.86%	**–**	**(444.67)**
2016	+18.44%	–	593.35
	-18.44%	–	(593.35)

The annual standard deviation of the PSE price index is approximately 14.73% and 12.04% and with 99% confidence level, the possible change in PSE price index could be +/-11.86% and +/-18.44% in 2017 and 2016, respectively. There are no outstanding stock investments listed in PSE that are classified as FVPL as at December 31, 2017 and 2016.

c. Price risk of mutual funds

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

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity. The impact of the change in mutual fund prices are as follows (in millions):

		Increase (Decrease)	
Mutual funds	**Change in NAV**	**Effect on income before tax**	**Effect on equity**
2017	**+10.00%**	**₱–**	**₱23.60**
	-10.00%	**–**	**23.60**
2016	+10.00%	1.06	18.20
	-10.00%	(1.06)	(18.20)

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

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

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

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax. It assumes that all other variables remain constant. The impact of the change in currency rates are as follows (in millions):

2017	**Change in currency rate**	**Effect on income before tax and equity Increase (decrease)**
US Dollar	**+3.49%**	**(₱3.37)**
	-3.49%	**3.37**
Indonesian Rupiah	**+2.89%**	**(5.14)**
	-2.89%	**5.14**

2016	Change in currency rate	Effect on income before tax Increase (decrease)
US Dollar	+4.41%	(₱7.30)
	-4.41%	7.30
Australian Dollar	+11.40%	(0.85)
	-11.40%	0.85

e. Copper rod price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱403.07 million with an average quantity of about 1,284 metric tons in 2017 and ₱326.35 million with an average quantity of about 1,318 metric tons in 2016.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant. The impact of the change in copper prices are as follows (in millions):

	% Change in copper rod prices	Effect on income before income tax and equity Increase (decrease)
2017	**+10.24%**	**₱45.97**
	-10.24%	**45.97**
2016	+10.80%	(38.00)
	-10.80%	38.00

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.

Capital Management

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

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

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

   No changes were made in the objectives, policies or process for the years ended December 31, 2017 and 2016.

b. 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.

29. **Financial Instruments**

Categorization of Financial Instruments

December 31, 2017	**Loans and Receivables**	**Financial Assets at FVPL**	**AFS Investments**	**Total**
Cash and short-term investments	**₱3,255,534,668**	**₱–**	**₱–**	**₱3,255,534,668**
FVPL investments	**–**	**856,080,159**	**–**	**856,080,159**
AFS investments	**–**	**–**	**9,560,483,252**	**9,560,483,252**
Receivables*	**1,631,514,367**	**–**	**–**	**1,631,514,367**
	₱4,887,049,035	**₱856,080,159**	**₱9,560,483,252**	**₱15,303,612,446**

**Excluding non-financial assets amounting to ₱151.9 million*

December 31, 2016	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and short-term investments*	₱2,474,239,518	₱–	₱–	₱2,474,239,518
FVPL investments	–	769,680,131	–	769,680,131
AFS investments	–	–	8,361,225,713	8,361,225,713
Receivables**	2,027,489,952	–	–	2,027,489,952
	₱4,501,729,470	₱769,680,131	₱8,361,225,713	₱13,632,635,314

**Including short-term investments amounting to ₱70.5 million under "Other current assets."*
*** Excluding non-financial assets amounting to ₱140.0 million*

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

	December 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds and convertible note	**₱833,776,158**	**₱833,776,158**	₱744,616,051	₱744,616,051
Funds and equities	**214,351**	**214,351**	3,345,600	3,345,600
Others	**22,089,650**	**22,089,650**	21,718,480	21,718,480
	856,080,159	**856,080,159**	769,680,131	769,680,131
AFS investments:				
Quoted equity shares	**7,003,083,175**	**7,003,083,175**	5,671,746,053	5,671,746,053
Bonds and convertible note	**684,500,101**	**684,500,101**	847,825,052	847,825,052
Funds and equities	**468,836,089**	**468,836,089**	254,471,051	254,471,051
Proprietary shares	**194,320,323**	**194,320,323**	184,210,323	184,210,323
Unquoted shares	**1,209,743,564**	**1,209,743,564**	1,097,757,074	1,097,757,074
	9,560,483,252	**9,560,483,252**	8,056,009,553	8,056,009,553
	₱10,416,563,411	**₱10,416,563,411**	₱8,825,689,684	₱8,825,689,684

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 at December 31, 2017 and 2016, AFS investments amounting to ₱456.8 million and ₱305.2 million, respectively, were carried at cost less impairment since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

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

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

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

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

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

The following tables provide the Group's fair value measurement hierarchy of its assets:

As at December 31, 2017:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱833,776,158	₱833,776,158	₱–	₱–
Funds and equities	214,351	214,351	–	–
Others	22,089,650	22,089,650	–	–
	856,080,159	856,080,159	–	–
AFS investments:				
Quoted equity shares	7,003,083,175	7,003,083,175	–	–
Bonds and convertible note	684,500,101	684,500,101	–	–
Funds and equities	468,836,089	468,836,089	–	–
Proprietary shares	194,320,323	152,320,323	42,000,000	–
Unquoted shares	1,209,743,564	–	–	1,209,743,564
	9,560,483,252	8,308,739,688	42,000,000	1,209,743,564
	₱10,416,563,410	₱9,164,819,847	₱42,000,000	₱1,209,743,564

As at December 31, 2016:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱744,616,051	₱744,616,051	₱–	₱–
Funds and equities	3,345,600	3,345,600	–	–
Others	21,718,480	21,718,480	–	–
	769,680,131	769,680,131	–	–
AFS investments:				
Quoted equity shares	5,671,746,053	5,671,746,053	–	–
Bonds and convertible note	847,825,052	847,825,052	–	–
Funds and equities	254,471,051	254,471,051	–	–
Proprietary shares	184,210,323	184,210,323	–	–
Unquoted shares	1,097,757,074	–	–	1,097,757,074
	8,056,009,553	6,958,252,479	–	1,097,757,074
	₱8,825,689,684	₱7,727,932,610	₱–	₱1,097,757,074

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

2017:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Dividend payout is ₱110 million with 3% annual increase	0% to 5%	0%: fair value of ₱607 5%: fair value of ₱926
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱861 30%: fair value of ₱670
		Cost of equity of 14.5%	13% to 15%	13%: fair value of ₱880 15%: fair value of ₱733

2016:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 10%	5% to 15%	5%: fair value of ₱346 15%:fair value of ₱348
		Tuition fee increase by 5%	0% to 7%	0%: fair value of ₱329 7%: fair value of ₱374
		Cost of capital of 12%	10% to 14%	10%: fair value of ₱439 13%: fair value of ₱304
KSA	DCF Model	Dividend payout is ₱100.0 million with 5% annual increase	-5% to 10%	-5%: fair value of ₱720 10%: fair value of ₱804
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱842 30%: fair value of ₱655
		Cost of equity of 14%	13% to 15%	13%: fair value of ₱798 15%: fair value of ₱703

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

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

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

	Enderun	**KSA**	**Total**
As at 1 January 2016	**₱345**	**₱516**	**₱861**
Remeasurement recognized in OCI	–	–	–
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	237	237
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2016	**₱345**	**₱753**	**₱1,098**
Remeasurement 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	**(345)**	–	**(345)**
As at 31 December 2017	**₱–**	**₱753**	**₱753**

For the years ended December 31, 2017 and 2016, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

30. Contracts and Agreements

Sutton

a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

   In January 2016, CGI and IQHPC entered into a new Service Agreement where IQPHC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

   As at December 31, 2017 and 2016, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2017, 2016, and 2015 amounted to ₱7.4 million, ₱11.1 million, and ₱3.6 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2016 and 2017, the lease agreement was renewed for a one-year term.

   Rent expense in 2017, 2016 and 2015 amounted to ₱3.3 million, ₱3.0 million and ₱2.8 million, respectively.

d. In October 2015, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The initial sublease agreement was for a period of eight months until July 15, 2015. The sublease agreement was renewed and extended until June 15, 2016.

   In 2017, the Company entered into an agreement to sublease a portion of its leased office space to Cirrus Global Services, Inc. for a period of one year commencing August 1, 2017.

   Rent income from the sublease agreement in 2017, 2016 and 2015 amounted to ₱0.9 million, ₱0.4 million, and ₱0.7 million, respectively.

e. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

Permitted fees are to be invoiced in the following manner:

- 25% of fee upon signing the contract offer of employment;
- 50% of fee upon deployment; and
- 25% of fee upon completion of the probationary 90-day time period at CCAD.

CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met. Total deferred revenues as at December 31, 2017 and 2016 amounted to ₱9.5 million and ₱8.6 million, respectively.

Service income recognized in 2017, 2016 and 2015 amounted to ₱10.3 million, ₱51.3 million and ₱18.1 million, respectively.

Cirrus

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱2.0 billion, ₱2.6 billion, and ₱1.9 billion in 2017, 2016 and 2015, respectively. The service income recognized in 2017 is from the period ended October 19, 2017 (see Note 7).

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

   As at December 31, 2016, future minimum lease payments associated with these agreements with terms of one year or more are as follows:

	2016
Within one year	₱9,141,751
After one year but not more than five years	11,115,307
	₱20,257,058

   Rent expense in 2017, 2016 and 2015 amounted to ₱9.2 million, ₱10.7 million, and ₱10.7 million, respectively.

c. On June 30, 2017, Cirrus invested in CGSI which handles the general and administrative services of the nurse staffing entities. CGSI, as part of the Cirrus Group, was subsequently sold through a merger agreement on October 19, 2017 (see Note 7).

ASAC

ASAC entered into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term.

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2017 and 2016 amounted to ₱59.4 million and ₱35.2 million, respectively, and included as part of “Other noncurrent assets” account in the consolidated balance sheets.

b. IAI conducts its operations from leased facilities with ASAC which include the aircraft hangar or ramp, battery shop, parking lots, mechanics’ quarters and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and was subsequently renewed. The renewed lease agreement will terminate in August 31, 2019.

   The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱3.2 million in 2017, ₱3.1 million in 2016, and ₱2.9 million in 2015.

c. The Company entered into a lease or concessionaire agreement with Manila International Airport Authority (MIAA) which granted the Company to operate as an aircraft hangar and conduct fixed base operations within the leased premises. The agreement shall be effective for a period of one (1) year commencing on January 1, 2016. The Company will continue to operate at Ninoy Aquino International Airport (NAIA) Complex by virtue of the Certificate of Public Convenience and Necessity (CPCN) to operate Domestic Scheduled Air Transportation Services issued on January 31, 2017 and valid from March 1, 2017 up to February 28, 2022.

   The Company is still operating at NAIA Complex as of February 20, 2018.

<u>SSRLI and PRI</u>

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI’s resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI’s resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

   On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI’s application for registration as a location at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable (see Note 19).

   On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011.

b. On February 18, 2011, the BOD of the Company approved the Company’s acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.9 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million.

c. Since 1995, the Company charges SSRLI a monthly fee amounting to US$4,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to SSRLI.

d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 4% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

   Likewise, marketing services and license contracts with AMBV were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues and US$1,000 monthly fee, respectively. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

   PRI also executed a Reservation Services Agreement with Hotel Sales Services Ltd. (HSSL) in which PRI will pay the latter a monthly fee of 6.5% of the gross accommodation charges processed through HSSL's central sales and reservation offices, with the exception of bookings made through the global distribution system which cost US$100 per booking. Upon commencement of the service agreement on June 24, 2013, PRI paid an establishment fee of US$1,500. PRI pays annual maintenance fee of US$1,000 to HSSL. The agreement will expire upon the date the hotel is no longer managed by AMBV.

   PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort.

   The OMA, marketing and license contracts will expire on June 30, 2018. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration. Total fees related to these agreements amounted to ₱76.0 million, ₱58.0 million, and ₱51.8 million in 2017, 2016, and 2015, respectively.

e. The PRI entered into an agreement with IAI wherein the latter will provide regular air transport service. The IAI shall charge PRI a fixed round trip rate, subject to an annual review by both parties, with a guarantee that all IAI's operating cost will be covered. The agreement has a duration of three years and was executed effective July 1, 2011. The agreement was renewed for another 3 years on February 13, 2015. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties.

   Since PRI is a registered entity with the Philippine Economic Zone Authority, no output tax on the fixed round trip rate that is not covered by paying guests will be passed on to PRI.

f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years ending September 2013. In 2015 and 2017, the lease agreement was renewed for another two years. The agreement provides that PRI is not allowed to sublease any part of the leased premises.

Future minimum annual rentals payable under this lease are as follows:

	2017	2016
Not later than one year	**₱2,677,109**	₱1,727,167
Later than one year but not later than 5 years	**4,461,848**	–
	₱7,138,957	₱1,727,167

Rent relating to the lease amounted to ₱2.7 million in 2017, ₱2.6 million in 2016, and ₱2.5 million in 2015.

g. On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI. The monthly fee was reduced to ₱0.5 million, exclusive of VAT, from August 1, 2016 until March 21, 2017.

On December 15, 2016, the agreement with APHI was transferred to AHI.

h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱120.8 million, ₱96.0 million and ₱75.1 million in 2017, 2016 and 2015, respectively, and presented as "Services revenue" in the consolidated statements of income.

As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2017 and 2016, the restricted fund amounted to ₱91.9 million and ₱85.3 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 16).

i. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of 20 years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter. Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was increased to ₱42.8 million.

Future minimum lease payments under these lease agreements as at December 31 are as follows:

	2017	2016
Within one year	**₱42,800,000**	₱42,800,000
After one year but not more than five years	**171,200,000**	171,200,000
More than five years	**363,800,000**	406,600,000
	₱577,800,000	₱620,600,000

j. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and post-construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2017, 2016 and 2015, SSRLI recognized handling fee, included under "Services revenue" account which amounted to ₱4.7 million, ₱7.6 million and ₱56.5 million, respectively.

k. SSRLI enters into memorandum of agreements with the buyers of villa. In 2016 and 2015, two villas and a villa were sold and generated gain on sale amounting to ₱331.0 million and ₱113.0 million, respectively.

l. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2017 and 2016, total property development in progress amounted to ₱3.2 million. These pertain to projects that are to be completed within one year and are, thus, presented as current assets.

m. In 2017, SSRLI redeemed Class A preferred stock of 46,284,261 shares and Class B preferred stock of 30,915,739 shares amounting to ₱77.2 million.

<u>PDIPI and Subsidiaries</u>

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱32.2 million and ₱20.8 million (eliminated in the consolidated balance sheets) as at December 31, 2017 and 2016, respectively (see Notes 10 and 27). Management fees amounted to ₱67.6 million, ₱88.3 million and ₱71.0 million (eliminated in the consolidated statement of income) in 2017, 2016 and 2015, respectively.

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

c. In 2008, PDP Energy entered into a contract of lease with a third party covering the lease of its office building. The contract is for a two year lease period and renewable at the option of both parties. The contract ended in 2013 and was no longer renewed. In line with this, PDP Energy entered into a contract of lease with another third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties.

The future aggregate minimum lease payments under the new operating lease are as follows:

	2017	2016
Not later than 1 year	**₱5,461,854**	₱6,577,643
More than 1 year but not later than 5 years	**240,000**	3,766,386
	₱5,701,854	₱10,344,029

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

31. Changes in Liabilities Arising from Financing Activities

	January 1, 2017	Cash flows for repayments	Dividend declaration	Foreign exchange movement	December 31, 2017
Notes payable	₱ 91,948,200	(₱91,948,200)	₱–	₱–	₱–
Long-term debt	2,545,581,343	(838,534,464)	–	11,677,442	1,718,724,321
Dividends payable	242,208,406	(489,654,036)	500,000,000	–	252,554,370
Total liabilities from financing activities	₱2,879,737,949	(₱1,420,136,700)	₱500,000,000	₱11,677,442	₱1,971,278,691

32. Other Matters

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

   ASAC recognized accruals amounting to ₱1.1 million as at December 31, 2017 and 2016 for the Concessionaire's Privilege Fees which covers the subleasing that the MIAA is set to bill ASAC.

b. ASAC is a defendant in labor lawsuits and claims. As at December 31, 2017 and 2016 management has recognized provisions for losses amounting to ₱5.7 million (see Note 18) that may be incurred from these lawsuits.

c. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in their normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2017 and 2016, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

d. On April 20, 2016, the BOD and stockholders of the CMSIS authorized the re-acquisition of its own 28 common stocks for a total purchase price amounting to US$0.2 million.

33. **Subsequent Event**

On February 22, 2018, Anscor's BOD approved the declaration of cash dividends amounting to ₱608.6 million (₱0.5 per share) to stockholders of record as of March 26, 2018, which will be paid on April 18, 2018.