COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	2								

COMPANY NAME

A . SORIANO CORPORATION AND SUB
SIDIARIES

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

7th Floor, Pacific Star Buildi
ng, Makati Avenue corner Gil P
uyat 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)
11,175	Third Wednesday of April	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2017**

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

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

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

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

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

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

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

    Yes [X] No [ ]

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

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 there under or Section 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [X] No [ ]

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

    Yes [X] No [ ]

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

Aggregate market value as of February 28, 2018 - P 9,347,890,591

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

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

NOT APPLICABLE

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

Portion of the Company's 2017 Annual Report to Stockholders is incorporated by reference into Part II of this report.

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

Definitive Information Statement filed pursuant to SRC Rule 20.

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

Not applicable

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1.	Business

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

Anscor is a Philippine holding company with diverse investments. Anscor’s major investments are in Phelps Dodge Philippines Energy Products Corporation (“PDP Energy”) which manufactures wire and cable products and Seven Seas Resorts and Leisure, Inc., owner of Amanpulo Resort. It has 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.

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

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

In 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 ₱22.5 billion.
For the year ended 31st December 2017, consolidated revenues of the Company amounted to ₱11.7 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries and 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
AG&P International Holdings, Ltd.	27%	Modular Steel Engineering / Construction	British Virgin Island

Company	Ownership	Business	Jurisdiction
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	USA
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

Investments

Phelps Dodge Philippines Energy Products Corporation (PDP Energy)

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

Phelps Dodge International Philippines, Inc. (PDIPI), the parent company of PDP Energy, was incorporated in 1955 and commenced production in 1957. Its product line is composed principally of copper-based wires and cables including building wires, telecommunication cables, power cables, automotive wires and magnet wires. The principal shareholders of PDIPI are Anscor and formerly General Cable Company (GCC), the 2nd largest wire and cable manufacturing firm in the world. PDP Energy has a technical assistance contract with GCC and a management contract with Anscor covering marketing, administration and finance. The management contract provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fee (VAT exclusive). The technical assistance agreement previously transacted with GCC provided annual payment amounting to a certain percentage of audited income before tax and management and technical assistance fee (VAT exclusive). The strategy of PDP Energy is to focus on the production of higher value-added wire and cable products. All the manufacturing operation of PDIPI effective September 1998, was lodged under PDP Energy.

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

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

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

Product Line	2017
Building wires	76%
Communication/Special	10%
Autowires	6%
Power Cables	8%

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

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

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

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

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

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

On December 22, 2014, Anscor acquired, for ₱3.0 billion, General Cable's 60% stake in PDIPI, increasing Anscor's ownership to 100%.

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 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.

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

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

SSRLI owns a 40-room resort in Pamalican Island, Cuyo Palawan and operates originally two luxurious villas until 2007, each villa comprising four (4) rooms. Seven Seas is a joint venture among Anscor, Palawan Holdings, Inc. and Les Folatieres Holdings. As of December 31, 2017, the resort manages a total of 64 villa rooms available for rent under management agreement executed by Pamalican Resort Inc.(PRI) and the villa owners.

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

Products/Services	Markets	Contribution to revenues
Rooms	Local & international	50%
Food and Beverage	-do-	26%
Others (including villa management and handling fees)	-do-	24%

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

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

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

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

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

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

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

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

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

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

Capital improvements have focused on enhancing the cost structure and environment preservation. A new desalination plant is operating and all golf carts are solar-powered.

Several programs were initiated to address the Resort's various constituents. To avoid further beach erosion, ₱17.0 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.

AGP International Holdings Ltd.

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

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

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

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

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

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

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

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.

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 equity to fund future projects.

ATRAM Investment Management Partners Corporation (ATRAM)

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 ₱114.9 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.

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)

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

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

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

In 2017, TEC underwent a ₱450.0 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.

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

Element Data

In 2017, Anscor invested US$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.

Y-mAbs Therapeutics, Inc.

Anscor, through its wholly-owned subsidiary, invested a total of US$3.0 million in Y-mAbs Therapeutics, Inc. (YmAbs). YmAbs is a US-based clinical stage biopharmaceutical company focused on developing new cancer treatments through immunotherapies. Its treatments could potentially reduce longer-term toxicities associated with current chemotherapeutics and provide the potential for curative therapy even for patients with widespread disease.

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

Madaket Healthcare (Madaket)

Anscor also made a new US$1.0 million investment in Madaket Healthcare (Madaket). 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.

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

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

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

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

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

Sutton Place Holdings, Inc. (Sutton)

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

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

Prople Limited

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

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

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

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

Direct WithHotels

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

A. Soriano Air Corporation (ASAC)

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

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

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

Pamalican Island Holdings, Inc. (PIHI)

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

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

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

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

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

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

Anscor Consolidated Corporation (Anscorcon)

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

Anscorcon used to hold the Anscor Group stake in ICTSI which was sold last May 2006. It now owns 1,282,826,746 shares of Anscor as of December 31, 2017.

Anscor Holdings, Inc. (AHI)

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

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

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.

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.

Item 2. 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 111.39 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 40.41 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

- AFC Agribusiness has 97.4 hectares of land in Guimaras.

Other Information

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

Item 3. Legal Proceedings

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

a) ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As at December 31, 2017, 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 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.

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

For the last five years and as of February 28, 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.

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

There were no items/matters submitted during the fourth quarter of 2017 to a vote of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

PRINCIPAL MARKET - Philippine Stock Exchange

Latest Market Price – February 28, 2018

Previous Close –	P 7.56
High	7.74
Low	7.56
Close	7.68

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	**High**	**Low**
First Quarter	6.46	5.90
Second Quarter	6.95	6.00
Third Quarter	7.14	6.32
Fourth Quarter	7.09	6.70

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

Source: Monthly PSE Report

Shareholdings Information

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

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

	Stockholder Name	Number of Common Shares	% of Ownership
1.	Anscor Consolidated Corporation*	1,282,826,746	51.313
2.	PCD Nominee Corp. (Non-Filipino)	455,825,819	18.233
3.	A-Z Asia Limited Philippines, Inc.	169,646,329	6.786
4.	PCD Nominee Corp. (Filipino)	130,593,578	5.244
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**

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

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

Recent Sale of Unregistered Securities

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

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-17	4-Apr-17

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

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 December 31, 2017, the Company has sufficient retained earnings available for dividend declaration.

Shares in the undistributed retained earnings of subsidiaries amounting to ₱3.0 billion and ₱2.7 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.

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

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

YEAR	NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2017	**1,580.8**	**18,512.5**	**1,224.2**	**1.29**	**15.21**
2016	1,522.8	16,234.7	1,232.7	1.24	13.17
2015	1,282.8	13,556.7	1,244.6	1.03	10.99
2014	2,041.1	14,835.2	1,254.0	1.63	11.94
2013	1,358.0	13,637.9	1,261.0	1.08	10.82

YEAR	GROSS ***REVENUE	TOTAL ***ASSETS	INVESTMENT PORTFOLIO
2017	**11,684.1**	**22,526.2**	**13,525.5**
2016	11,886.3	21,527.5	13,196.6
2015	10,655.3	19,552.4	11,859.4
2014	3,834.8	21,426.4	14,310.0
2013	3,525.1	17,326.5	14,721.3

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

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

*** *2015, 2016 and 2017 included PDP Group's gross revenues and total assets.*

Below are the key performance indicators of the Company:

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

	Years Ended December 31		
	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
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
Sale of real estate	**–**	633,912	293,036
	10,142,383	10,966,884	9,589,747
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
Long-term investments	**1,097,862**	343,158	–
AFS investments	**433,166**	555,619	1,091,213
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 from continuing operations	**₱1,669,365**	₱1,505,375	₱1,254,398
Net income (loss) from discontinued operations	**(47,637)**	184,916	108,864
	₱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

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**	1,420	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
3. Villa development/lease net income	**1.0**	342.9	159.7
4. 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.

Financial Performance Year 2017

In 2017 consolidated revenue reached ₱11.7 billion, marginally lower than the ₱11.9 billion registered in 2016. The Company's consolidated net income improved slightly from ₱1.5 billion to ₱1.6 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 ₱1.1 billion gain from divesting Cirrus Medical Staffing, Inc., a US healthcare staffing business, and Enderun Colleges, Inc., which generated an additional ₱83.8 million of income.

Gains from the sale of marketable securities fell to ₱334.7 million, from ₱551.2 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 ₱270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Interest income of ₱98.9 million was slightly higher than last year. Consolidated foreign exchange losses amounted to ₱17.9 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 ₱13.17 to ₱15.21 as of December 31, 2017.

Anscor declared a dividend of ₱0.50 per share, ₱0.20 per share regular and ₱0.30 per share special, to shareholders of record as of March 26, 2018.

Investments – Group Operations

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

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 ₱6.6 billion to ₱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 ₱750.6 million to ₱543.7 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.

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

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 ₱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 ₱50.42 to US$1 against ₱47.47 in 2016.

Amanpulo's gross operating profit amounted to ₱335.8 million, 39% higher than last year, and net profit rose 171%, from ₱36.7 million to ₱99.5 million in 2017. The consolidated net income of Seven Seas amounted to ₱100.5 million, lower than the consolidated profit of ₱379.5 million in 2016, which included the gain from the sale of two villas.

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

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.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

ATRAM reported a consolidated net income of ₱35.2 million in 2017, a 58% increase from 2016. On December 22, 2017, ATRAM redeemed ₱12.3 million worth of non-voting preferred stock held by Anscor.

KSA Realty Corporation (14.28% owned by Anscor)

In 2017, TEC underwent a ₱450.0 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 ₱1,260 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 ₱1.1 billion in 2016 to ₱1.2 billion in 2017. Net income before revaluation gains increased by 10%, from ₱843.0 million in 2016 to ₱931.0 million in 2017.

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 ₱2.4 billion offset by cash used in financing activities of ₱1.6 billion.

Net proceeds from the sale of 93% 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 ₱50.7 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 ₱97.1 million. The market value of foreign denominated investment in bonds, stocks and funds increased by ₱10.7 million vs. December 31, 2016 values. Unrealized foreign exchange loss related to foreign denominated investments amounted to ₱21.4 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 ₱431.8 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 ₱1.2 billion. There was an increase in market value of AFS investments of about ₱1.1 billion, net addition of ₱116.4 million and cumulative translation adjustment of ₱103.4 million partially offset by the set up of impairment provision of ₱125.6 million.

Investments and Advances

The decrease in investments and advances was mainly due to impairment provision of ₱500.0 million, reduced by the additional investment of ₱116.5 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 ₱79.5 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 ₱252.1 million while net additions to property and equipment amounted to ₱228.7 million mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries. Net increase amounted to ₱19.5 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 ₱61.2 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 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 and unrealized foreign exchange loss of ₱11.7 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 ₱1.1 billion from January 1 to December 31, 2017.

Remesurement 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 materialized.

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 ₱11.7 billion was lower by ₱202.2 billion from last year's revenue of ₱11.9 billion. The Group realized a ₱1.1 billion gain from divesting Cirrus Medical Staffing, Inc. Gains from the sale of AFS investments fell to ₱433.2 million, from ₱555.6 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 ₱270.7 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 ₱635.5 million in 2016.

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 rate.

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 ₱125.6 million. Valuation allowances in 2016 were higher at ₱590.9 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 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 ₱11.9 billion was higher by ₱1.2 billion from last year revenue of ₱10.7 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by ₱736.0 million or 26.8%, offset by lower investment gains by ₱146.2 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 ₱633.9 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 ₱590.9 million. Valuation allowances in 2015 were higher at ₱805.2 million.

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

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

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

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

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

Revenues
This year's consolidated gross revenues of ₱10.6 billion was 148.9% higher than last year's revenue of ₱4.3 billion. This was mainly due to the inclusion of PDP's ₱6.1 billion revenues for the period January 1 to December 31, 2015 which was zero for the year 2014. Higher revenues were registered by the Resort and staffing subsidiaries.

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

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

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

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

Other Income (Charges) – net
Change in the account was mainly due to valuation allowances of ₱802.8 million recorded by the parent company for its investments.

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

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

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

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 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 non-monetary 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.

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.

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

Item 7. Financial Statements

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

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

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

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

SyCip Gorres Velayo & Co. (SGV) has been the Company’s independent auditors since its establishment in 1946. They will again be nominated for reappointment and presented for approval by the stockholders during the stockholders’ meeting as external auditors for the ensuing 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	₱1,362,800
2016	₱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.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors

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

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

Name	Position	Term of Office	Period Served as Director
Andres Soriano III	Chairman and Chief Executive Officer; President and Chief Operating Officer	1 year	35 years
Eduardo J. Soriano	Vice Chairman – Treasurer	1 year	37 years
Ernest K. Cuyegkeng	Director and Chief Financial Officer	1 year	9 years
John L. Gokongwei, Jr.	Director	1 year	37 years
Oscar J. Hilado	Director	1 year	19 years
Jose C. Ibazeta	Director	1 year	30 years
Roberto R. Romulo	Director	1 year	19 years

Executive Committee and Management

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

Audit Committee:

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

Compensation Committee:

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

Executive Committee:

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

Nomination Committee:

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

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

Directors

ANDRES SORIANO III, age 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 91, 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 not nominees but incumbent officers of the Company:

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.

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).

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.

Additional Information:

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

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

For the last five years and as of 28 February 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.

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

Item 10. Executive Compensation

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

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

			Compensation		
			2016	2017	2018
	Name	Principal Position	Actual	Actual	(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		₱63,776,791	₱ 64,552,201	₱ 65,465,117
	Benefits		2,127,602	2,003,939	2,003,939
	Bonus*		41,440,000	57,665,000	131,750,000
	Sub-Total Top Executive		₱ 107,344,393	₱ 124,221,140	₱ 199,219,056
	Other Directors		14,122,857	15,602,857	15,927,857
	Total		₱ 121,467,250	₱ 139,823,997	₱ 215,146,913

* 2017 and 2018 include a non-recurring bonus to a key officer in relation to the sale of one of the Company's investments.

There are no other arrangements, including consulting contracts, to which any director was compensated, directly or indirectly except for the consultancy agreement between the Company and Mr. Jose C. Ibazeta, involving about ₱8.7 million fees for one year.

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

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

Item 11.	Security Ownership of Certain Beneficial Owners and Management

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

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

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

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,282,192,746 *	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	132,593,578	5.224%
TOTAL				**2,040,258,472**	**81.556%**

* 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, who is authorized to vote the shares in behalf of Anscorcon.

nPCD 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 ATRAM Trust Corporation is the sole owner of more than 5%, specifically 33.176%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. Shares owned by Deerhaven, LLC are indirectly owned by Andres Soriano III. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

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

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

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

b. Security Ownership of Certain Beneficial Owners and Management

As of February 28, 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	Percentage
Common	Andres Soriano III	489,428,270	Direct/Indirect	American	19.577%
Common	Eduardo J. Soriano	188,515,944	Direct/Indirect	Filipino	7.541%
Common	John L. Gokongwei, Jr.	204,982	Direct/Indirect	Filipino	0.008%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	Oscar J. Hilado	20,000	Direct/Indirect	Filipino	0.001%
Common	Roberto R. Romulo	20,000	Direct	Filipino	0.001%
Total		678,242,147			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 stockholders.

d. Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

Item 13. 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.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

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

(b) SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on February 22, 2018.

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

SUBSCRIBED AND SWORN to before me this 22nd day of February 2018, affiants exhibited to me the following:

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

Doc. No. 223;
Page No. 46;
Book No. XVII;
Series of 2018.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-155; Roll No. 20642
Commission expires on 12-31-18
PTR No.6618426; 1-10-18; Makati City
IBP No. 033319; 02-14-18; Pasig City
TIN: 100-364-501

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

A. SORIANO CORPORATION
INDEX TO EXHIBITS

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

A. SORIANO CORPORATION
INDEX TO SEC FORM 17-C

February 22, 2017	SEC 17-C Item No. 9 – Other Event Date of Stockholders' Meeting Proxy Date Proxy Validation Date Declaration of cash dividends
March 8, 2017	SEC17-C Item No. 9 – Other Event Acquisition of additional 60,000 shares of iPeople, Inc.
March 21, 2017	SEC17-C Item No. 9 – Other Event Acquisition of additional 100,000 shares of iPeople, Inc.
March 31, 2017	SEC17-C Item No. 9 – Other Event Acquisition of additional 76,000 shares of iPeople, Inc.
April 17, 2017	SEC17-C Item No. 9 – Other Event Acquisition of additional 61,000 shares of iPeople, Inc.
April 19, 2017	SEC 17-C Item No. 4 – Resignations, Removal or Election of Election of Directors and appointment of executive officers. Item No. 9 – Reappointment of external auditor
July 5, 2017	SEC 17-C Item No. 9 – Other Event Sale of Enderun Shares
October 17, 2017	SEC 17-C Item No. 9 – Other Event Sale of Cirrus Medical Staffing, Inc.

A. SORIANO CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Signed this 22nd day of February 2018

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

SUBSCRIBED AND SWORN to before me this 22nd day of February 2018, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	EC3327271	Jan. 31, 2015 to Jan. 30, 2020/Manila

Doc. No. 221;
Page No. 46;
Book No. XVII;
Series of 2018.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-155; Roll No. 20642
Commission expires on 12-31-18
PTR No.6618426; 1-10-18; Makati City
IBP No. 033319; 02-14-18; Pasig City
TIN: 100-364-501

A. SORIANO CORPORATION, 7TH FLOOR, PACIFIC STAR BUILDING, MAKATI AVENUE COR. GIL J. PUYAT AVENUE, 1209 MAKATI CITY
P.O. BOX 1304 MAKATI CENTRAL POST OFFICE, 1252 MAKATI CITY, PHILIPPINES • TEL: 819-0251 to 70 • E-MAIL: asoriano@globe.com.ph

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

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The goodwill disclosed in Note 6 to the consolidated financial statements amounted to ₱1,302.3 million as at December 31, 2017, which is considered significant to the consolidated financial statements. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimations to assumptions and judgment involved. In assessing the recoverability of the Group's goodwill from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc., management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

Audit Response

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

Recoverability of Investment in an Associate

In 2017, the Group identified indicators of possible impairment in its investment in an associate and, as required in PFRS, assessed the recoverability of its investment. In assessing the recoverable amount, management estimated the expected cash flows from the operations of the associate. Management also applied judgment in selecting the valuation model to be used and assumptions such as revenue growth rate, discount rate and long-term growth rate. The investment in the associate, as disclosed in Note 13 to the consolidated financial statements, amounted to ₱1,448.7 million as at December 31, 2017, which is material to the consolidated financial statements.

Audit Response

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

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

The valuation of unquoted AFS equity investments is a key audit matter because the carrying value amounting to ₱1,209.7 million as at December 31, 2017 is material to the consolidated financial statements. In valuing the Group's unquoted AFS equity investments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and used assumptions in estimating future cash flows from its equity investments considering the information available to the Group. The Group's disclosures about unquoted AFS investments are included in Note 12 to the consolidated financial statements.

Audit Response

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

Provisions and Contingencies

The Group is subject to examinations by tax authorities which may result to taxation issues due to different interpretation of tax laws, rulings and jurisprudence. Evaluating the completeness and proper valuation of provisions for tax exposures was significant to our audit because it requires application of significant estimates and judgment by management. There is also inherent uncertainty over the outcome of these tax examinations. Any change on these assumptions and estimates could have a material impact on the Group's consolidated financial statements. The disclosures on the Group's contingencies are included in Note 32 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, the involvement of our internal specialist in reviewing management's tax position and in evaluating the potential tax exposures. We also discussed with management the status of the examinations by tax authorities. In addition, we obtained correspondences with the relevant tax authorities and the opinion of the Group's third party tax consultants.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 6621309, January 9, 2018, Makati City

February 22, 2018

SGVFS026788

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 (Note 10)	**1,783,448,898**	2,167,501,893
Inventories (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		
Notes payable (Note 17)	**₱–**	₱91,948,200
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
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 (Notes 7 and 30)	**3,080,921,191**	3,483,481,253	2,747,521,027
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 - net of valuation allowance (Note 13)	**(497,099,065)**	(72,773,871)	153,953,858
Sale of real estate (Note 30)	**–**	633,912,337	293,036,415
	10,142,382,456	10,966,883,754	9,589,747,330
INVESTMENT GAINS (LOSSES)			
Gain on disposal of subsidiaries (Notes 7 and 15)	**1,097,861,615**	343,158,019	–
Gain on sale of 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 (Notes 7 and 21)	**(1,965,474,430)**	(2,312,578,606)	(1,809,102,441)
Operating expenses (Notes 7 and 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 (Notes 7 and 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 from continuing operations	**₱1,669,364,961**	₱1,505,374,572	₱1,254,397,443
Net income (loss) from discontinued operations (Note 7)	**(47,637,151)**	184,916,112	108,864,366
	₱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 7 and 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 loss (gain) 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 20)											
			Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)		Unrealized Valuation Gains (Losses) on AFS Investments (Note 12)	Remeasurement on Retirement Benefits (Note 24)	Retained Earnings		Cost of Shares Held by a Subsidiary			
	Capital Stock	Additional Paid-in Capital		Cumulative Translation Adjustment			Appropriated	Unappropriated		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 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**	**16,747,499,863**
Total comprehensive income (loss) 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)
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/disposal of:			
Subsidiaries (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)
Equity in net earnings - net of valuation allowance (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 (Notes 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
Prepayments and other current assets	**101,852,799**	(12,998,254)	(55,563,541)
Property development in progress	**–**	172,634,831	(19,169,531)
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	**867,768**	(1,516,340)	(19,597,403)
Net cash generated from operations	**1,379,916,259**	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	**1,333,997,590**	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**	₱1,607,860,897	₱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)	**(2,087,820,428)**	(1,019,866,822)	(3,427,132,659)
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 shares	**12,301,027**	–	–
Advances to affiliates (Note 13)	**(77,440,000)**	(386,108)	(2,655,735)
Net cash flows from (used in) investing activities	**1,063,797,948**	780,569,381	(385,078,449)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable (Note 17)	**(91,948,200)**	(554,000,000)	(2,072,225,829)
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)
Company shares purchased by a subsidiary (Note 20)	**(98,041,760)**	(6,767,680)	(55,856,525)
Redemption of preferred shares	**(29,081,587)**	(47,926)	(75,540,000)
Proceeds from availment of:			
Notes payable (Note 17)	**–**	554,000,000	557,000,000
Long-term debt (Note 19)	**–**	–	1,500,000,000
Net cash flows used in financing activities	**(1,547,260,047)**	(1,130,306,089)	(780,729,437)
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

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 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.

The Group's assessment of the impact of PFRS 9 is ongoing. The assessment below 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 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.

- 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.

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
Anscor Holdings, Inc. (AHI, formerly Goldenhall Corporation, Note 30)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Lakeroad Corporation	Real Estate Holding	**100**	100	100
Mainroad Corporation	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 Corporation	Real Estate Holding	**100**	100	100

(Forward)

	Nature of Business	Percentage of Ownership 2017	2016	2015
Rollingview Corporation	Real Estate Holding	**100**	100	100
Timbercrest Corporation	Real Estate Holding	**100**	100	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
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
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
Uptown Kamputhaw Holdings, Inc. (formerly Anscor Property Holdings, Inc., APHI, Note 15)	Real Estate Holding	**–**	–	100

**As at December 31, 2017 and 2016, the Group has 100% beneficial ownership over Summerside.*

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**	441.2
Noncurrent liabilities	**154.2**	76.4
Equity	**1,007.3**	1,112.5
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 - net of valuation allowance" 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
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.

Disposal Group and Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated 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 above.

<u>Financial Instruments</u>

Date of recognition

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

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

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

As 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 "Valuation allowances" 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.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

The Group assesses at each 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 "Recovery of valuation allowances" account under "Other income (charges) - net" in the consolidated statement of income.

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

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

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

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

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

Revenue

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

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

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

Sale of goods

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

Sale of real estate

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

Revenue on villa development project

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

Rendering of services

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

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

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

Revenue from temporary staffing is recognized when services are rendered.

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

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

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

Interest

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

Dividends

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

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

Costs and Expenses
Costs and expenses are recognized in 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 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.

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

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 statement of income for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

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

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

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

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

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

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

Prepayments

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

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

Property and Equipment

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

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

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

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

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

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

**or lease term, whichever is shorter*

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

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

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

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

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

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

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

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

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

between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

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

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

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

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

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

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

Pension Benefits
The Group has non-contributory defined benefit retirement plans.

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

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

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

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

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share

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

Determination of absence of significant influence over Enderun

Prior to 2017, 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 was classified as 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.

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. In valuing the Group's unquoted AFS equity instruments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (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 expected cash flows are estimated from the operations of the associates 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 rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates 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. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, operating margins, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱105.8 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 the 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.

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 - net of valuation allowance.

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**	**₱11,539,738**	**(₱1,496,234)**	**₱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 - net of valuation allowance	**–**	**–**	**–**	**–**	**(497,099)**	**(497,099)**	**–**	**(497,099)**
Net income (loss)	**(47,637)**	**1,072,980**	**100,523**	**543,667**	**704,833**	**2,374,366**	**(752,638)**	**1,621,728**
Total assets	**–**	**18,928,517**	**1,526,424**	**3,824,469**	**12,972,567**	**37,251,977**	**(14,725,746)**	**22,526,231**
Investments and advances	**–**	**7,069,111**	**60,706**	**–**	**2,349,032**	**9,478,849**	**(7,827,009)**	**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**	**5,685,890**	**(2,130,829)**	**3,555,061**
Depreciation and amortization	**2,328**	**8,838**	**66,299**	**75,188**	**41,484**	**194,137**	**57,952**	**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**	**(293,809)**	**1,333,998**
Investing activities	**(3,637)**	**1,168,955**	**(111,939)**	**(145,832)**	**(57,715)**	**849,832**	**213,966**	**1,063,798**
Financing activities	**(161,618)**	**(1,055,032)**	**(186,114)**	**(511,429)**	**9,577**	**(1,904,616)**	**357,356**	**(1,547,260)**

**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 - net of valuation allowance.*

	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 - net of valuation allowance	–	–	–	–	(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	213,064	780,569
Financing activities	(312,284)	(918,317)	(10,869)	(421,429)	(56,688)	(1,719,587)	589,281	(1,130,306)

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

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2015								
Revenues, excluding interest income	₱1,850,730	₱2,742,661	₱994,023	₱6,102,341	₱382,875	₱12,072,630	(₱2,566,198)	₱9,506,432
Interest income	–	75,395	758	1,083	6,079	83,315	–	83,315
Investment gains	–	1,066,719	–	–	(1,160)	1,065,559	–	1,065,559
Interest expense	340	74,240	1,155	39,134	1,730	116,599	–	116,599
Income tax expense (benefit)	66,883	(15,815)	29,167	221,657	15,500	317,392	(7,994)	309,398
Equity in net earnings - net of valuation allowance	–	–	–	–	153,954	153,954	–	153,954
Net income	108,864	2,759,487	166,854	574,356	364,558	3,974,119	(2,610,857)	1,363,262
Total assets	1,041,115	16,382,877	1,799,068	3,488,824	3,745,714	26,457,598	(6,905,218)	19,552,380
Investments and advances	–	8,132,207	74,091	–	2,253,691	10,459,989	(8,635,729)	1,824,260
Property and equipment	4,743	29,727	837,454	573,253	95,388	1,540,565	1,161,312	2,701,877
Total liabilities	129,598	2,252,921	1,067,586	1,616,524	4,695,279	9,761,908	(4,144,448)	5,617,460
Depreciation and amortization	4,914	7,369	97,984	70,967	29,435	210,669	26,099	236,768
Impairment loss	–	802,759	4,266	14,940	271,826	1,093,791	(252,668)	841,123
Cash flows from (used in):								
Operating activities	927,193	1,435,669	430,416	773,270	48,197	3,614,745	(2,061,858)	1,552,887
Investing activities	(38,281)	786,261	(64,949)	(101,420)	(5,368)	576,243	(961,318)	(385,075)
Financing activities	(909,597)	(2,125,914)	(280,715)	(492,814)	(21,151)	(3,830,191)	3,049,462	(780,729)

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

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	**₱1,202,945,277**	₱1,202,945,277
SSRLI	**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 ₱115.1 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 1.0% to 5.0% in 2017 and 5.0% in 2016. 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.

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.

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 3.0% to 9.0% and 5.0% to 13.0% growth rate in revenue for its cash flow projection in 2017 and 2016, respectively.

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 projection 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 4.0%, and the difference between the discount rate and growth rate.

Growth rate
Cirrus assumed a growth rate of 9.0% in 2016. Growth rate assumption for the five-year cash flow projections is 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 disposal of 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 are presented below (in thousands):

	Period Ended October 19, 2017	Years Ended December 31, 2016	December 31, 2015
Revenues	**₱2,028,267**	₱2,580,163	₱1,850,730
Cost of services	**(1,569,503)**	(2,026,219)	(1,468,253)
Gross profit	**458,764**	553,944	382,477
Expenses	**(511,474)**	(260,304)	(206,730)
Income (loss) before income tax	**(52,710)**	293,640	175,747
Provision for (benefit from) income tax	**(5,073)**	108,724	66,883
Net income (loss) from a deconsolidated subsidiary	**(₱47,637)**	₱184,916	₱108,864
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 are as follows (in thousands):

	Period Ended October 19, 2017	Years Ended December 31, 2016	December 31, 2015
Operating	**₱206,562**	₱304,444	₱927,193
Investing	**(3,637)**	(1,441)	(38,281)
Financing	**(161,618)**	(312,284)	(909,597)
Net cash inflow (outflow)	**₱41,307**	(₱9,281)	(₱20,685)

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.

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 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 Value 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 gain 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 Value as at December 31		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2016	2015	in 2016
Bonds	(₱22.2)	(₱43.8)	₱21.6
Funds and equities	(0.4)	(1.7)	1.3
Others	2.0	2.0	–
Total	(20.6)	(43.5)	22.9
Add realized loss on sale of FVPL investments			(2.3)
Net gain on decrease in market value of FVPL investments			₱20.6

	Unrealized Valuation Gains (Losses) in Market Value as at December 31		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2015	2014	in 2015
Bonds	(₱43.8)	(₱22.7)	(₱21.1)
Funds and equities	(1.7)	0.3	(2.0)
Others	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.

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

	2017		
	Trade	**Interest and Others**	**Total**
At January 1	**₱63,025,260**	**₱2,424,253**	**₱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	**₱57,974,044**	**₱2,424,253**	**₱60,398,297**

	2016		
	Trade	Interest and Others	Total
At January 1	₱70,073,188	₱2,424,253	₱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	₱63,025,260	₱2,424,253	₱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
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 million 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. 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 and ₱68.5 million in 2015.

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. Madaket, Inc. (Madaket)

In May 2017, AI invested US$1.0 million (₱49.7 million) in equity shares at 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.

d. Element Data, Inc. (Element Data)

In June 2017, AI invested US$1.0 million (₱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 (₱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.

e. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, AI entered into an equity 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 in Sierra Madre amounted to US$0.2 million (₱12.2 million).

f. Geothermal Project

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

g. 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 (see Note 29).

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 had no significant influence over Enderun (see Note 4).

h. 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.

Below is the roll forward 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 of valuation allowances	**₱1,570,106,166**	₱1,941,304,352
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2017 and 2016	**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. The Company made an advance payment of ₱77.4 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 in 2017 and 2016 follow:

<u>AGP International Holdings Ltd. (AGPI)</u>
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

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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.

AGPI is looking to raise equity to fund projects as of February 22, 2018. The Group recognized a valuation allowance of ₱500.0 million, net of AI's share in the earnings of AGPI in 2017.

The following are the significant financial information of 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 gave the Company a total of 10% interest in the entity.

On July 6, 2017, the Company invested additional ₱91.3 million equivalent to 15,000,000 common shares, resulting to an increase in ownership from 10% to 20%, which allowed the Company to exercise significant influence over AIMP.

On December 22, 2017, AIMP redeemed the 12,300,000 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, AI provided impairment loss on its investment in BM amounting to ₱62.2 million presented under “Equity in net earnings - net of valuation allowance” in the consolidated statement of income. In 2015, AI recognized impairment loss on its AFS investment in BM amounting to ₱57.2 million (see Note 23).

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, AI provided impairment loss on its investment in Prople amounting to ₱10.6 million presented under “Equity in net earnings - net of valuation allowance” in the consolidated statements of income. In 2015, AI recognized impairment loss on its AFS investment in Prople amounting to ₱197.9 million (see Note 23).

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

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 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 as at December 31, 2017 and 2016, respectively, which include the related liability for the fund asset recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

17. Notes Payable

Notes payable represent unsecured, 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 at 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 to 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 ₱3,075.0 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**	₱441,446,000
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**	14,417,593
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 and bonus to a key officer related to the sale of Cirrus, among others.

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 AGPI. 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 (see Note 12).

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.

   On December 19, 2016, the pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor was released by the bank.

   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 (₱47.0 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:

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

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing, manpower services, education and manufacturing, whether based in the Philippines or offshore. Appropriations in the years 2011 to 2014, which were due for expirations, were extended for additional three years in 2017 and 2016.

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 ₱3.0 billion and ₱2.7 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
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
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 1.0% 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 employee 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 3.0% 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)
Write-off of noncurrent assets	**(105,662,888)**	–	–
Deal-related expenses	**(99,183,573)**	–	–
Sale of real property	**19,162,207**	–	–
Service fee	**9,910,777**	–	59,050,000
Rental income	**6,709,294**	7,542,788	3,771,910
Recovery of valuation allowances (Notes 10, 11 and 12)	**–**	16,509,318	–
Others	**31,105,632**	60,029,550	24,701,343
	(₱287,350,531)	(₱534,484,598)	(₱753,600,117)

Before the sale of Cirrus on October 19, 2017, Cirrus 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% in 2017 and from 2.13% to 9.13% in 2016 and have maturities from May 23, 2018 to December 7, 2026 in 2017 and from September 4, 2016 to October 24, 2037 in 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 8.50% 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)

(Forward)

	2017	2016	2015
Withdrawal of plan assets	**(₱1,575,169)**	₱–	₱–
Contribution	**6,367,740**	7,032,548	9,747,404
Transfer to net retirement plan asset	**–**	(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
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	**Change in Rates**	**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	Change in Rates	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	**Change in Rates**	**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	Change in Rates	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:

Year	2017
2018	**₱175,842,889**
2019	**96,288,530**
2020	**20,884,755**
2021	**3,590,974**
2022	**8,188,879**
2023 to 2027	**123,157,721**

25. Income Taxes

The provision for (benefit from) 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 and Sutton
[2] Pertain to Anscor, Anscorcon and AI
**Pertain to Cirrus 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	**₱2,153,181,275**	₱1,527,630,711
Doubtful accounts	**537,467,964**	569,379,331
Inventory losses	–	3,877,877
NOLCO	**311,590,136**	269,860,049
Accrued pension benefits and others	**6,409,266**	16,256,984
Provision for probable losses and lawsuits	**5,721,158**	5,721,158
Unrealized foreign exchange losses	**2,364,044**	11,473,695
MCIT	**7,066,379**	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	**₱561,741,275**	₱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	**(48,101,133)**	(165,363,218)	(322,201,613)
Income tax at 5% GIT	**(76,130,168)**	(94,108,256)	(72,567,282)
Movement in unrecognized deferred income tax assets	**186,081,397**	66,327,305	262,898,352
Dividend income not subject to income tax	**(76,936,509)**	(65,639,343)	(62,895,499)
Expired NOLCO and MCIT	**33,575,544**	38,513,380	21,800,602
Nontaxable income	**(7,203,562)**	(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	**(870,281)**	–	(46,186,157)
Nontaxable gain on sale of a foreign subsidiary	**(329,358,484)**	–	–
Others	**11,616,995**	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	8,996,020	–	–	–	8,996,020
2017	2018-2020	–	143,023,030	–	–	143,023,030
		₱276,110,171	₱143,023,030	₱–	(₱107,543,065)	₱311,590,136

MCIT

Period of Recognition	Availment period	Amount	Additions	Applied	Expired	Balance
2014	2015-2017	₱1,312,624	₱–	₱–	(₱1,312,624)	₱–
2015	2016-2018	657,686	–	–	–	657,686
2016	2017-2019	4,577,596	–	–	–	4,577,596
2017	2018-2020	–	1,831,097	–	–	1,831,097
		₱6,547,906	₱1,831,097	₱–	(₱1,312,624)	₱7,066,379

Tax Reform for Acceleration and Inclusion Act (TRAIN) Law

RA No.10963 or the TRAIN Law 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 Law 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.

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)	**₱172.3**	₱165.6	₱154.7
Retirement benefits (Note 24)	**7.7**	8.1	7.6
Total	**₱180.0**	₱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, Corporate Development 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	**₱1,634,711,899**	₱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
	4,772,304,129	4,066,491,399
Loans and receivables:		
Trade	**1,574,198,574**	1,938,454,863
Interest receivable	**22,046,675**	21,259,285
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
Notes receivable	**–**	32,000,000
Others**	**5,577,573**	6,839,512
	1,631,514,367	2,027,489,952
	₱6,403,818,496	₱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	**₱1,634,711,899**	**₱–**	**₱–**	**₱–**	**₱1,634,711,899**
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	**–**	**877,859,446**	**696,339,128**	**57,974,044**	**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	**–**	**2,074,877**	**3,502,696**	**1,833,158**	**7,410,731**
	₱3,304,404,444	**₱2,399,572,228**	**₱699,841,824**	**₱201,304,336**	**₱6,605,122,832**

**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	–	1,430,210,918	508,243,945	63,025,260	2,001,480,123
Notes receivables	–	32,000,000	–	–	32,000,000
Interest receivable	–	21,259,285	–	591,095	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	**₱1,636,218,697**	**₱–**	**₱–**	**₱–**	**₱1,636,218,697**
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**
	₱4,849,949,657	**₱152,605,273**	**₱790,959,411**	**₱611,810,953**	**₱6,405,325,294**
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 ₱33.5 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 and Equity 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 ₱403.1 million with an average quantity of about 1,284 metric tons in 2017 and ₱326.4 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

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.

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	**752,935,232**	**752,935,232**	1,097,757,074	1,097,757,074
	9,103,674,920	**9,103,674,920**	8,056,009,553	8,056,009,553
	₱9,959,755,079	**₱9,959,755,079**	₱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	**752,935,232**	**–**	**–**	**752,935,232**
	9,103,674,920	**8,308,739,688**	**42,000,000**	**752,935,232**
	₱9,959,755,079	**₱9,164,819,847**	**₱42,000,000**	**₱752,935,232**

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 ₱110.0 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 14.50%	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**
Purchases	–	237	237
As at 31 December 2016	**₱345**	**₱753**	**₱1,098**
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 (see Note 21).

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, CGI 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 (see Note 23).

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 (see Note 21).

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 (see Note 16).

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. IAI 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. IAI 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 IAI is still operating at NAIA Complex as of February 22, 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 (see Note 6).

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. Effective January 1, 2016, the monthly fee increased from US$4,000 to US$15,000.

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 Amanresorts Services Limited (ASL) 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. PRI entered into an agreement with IAI wherein the latter will provide regular air transport service. 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.

   On February 15, 2018, both parties entered into a renewal agreement which shall have a duration of not less than three years unless otherwise pre-terminated.

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. On January 3, 2017, the monthly fee was reduced to ₱0.3 million, exclusive of VAT, from January to March 31, 2017.

   On May 31, 2017, AHI and SSRLI entered into a management contract in which SSRLI shall pay a fixed monthly fee amounting to ₱0.3 million, exclusive of VAT, effective June 1, 2017 until September 30, 2017. The monthly fee was reduced to ₱0.2 million, exclusive of VAT for October 2017.

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 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 ₱41.5 million and ₱28.2 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, 2017, 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 Cirrus 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 ₱1,250.0 million (₱0.50 per share, of which ₱0.20 per share is regular dividend and ₱0.30 per share is special dividend) to stockholders of record as of March 26, 2018, payable on April 18, 2018. Net cash dividend payable amounts to ₱608.5 million which excludes dividend for shares held by a subsidiary.

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and Subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated February 22, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 6621309, January 9, 2018, Makati City

February 22, 2018

A. SORIANO CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

ANNEX A

A. SORIANO CORPORATION AND SUBSIDIARIES

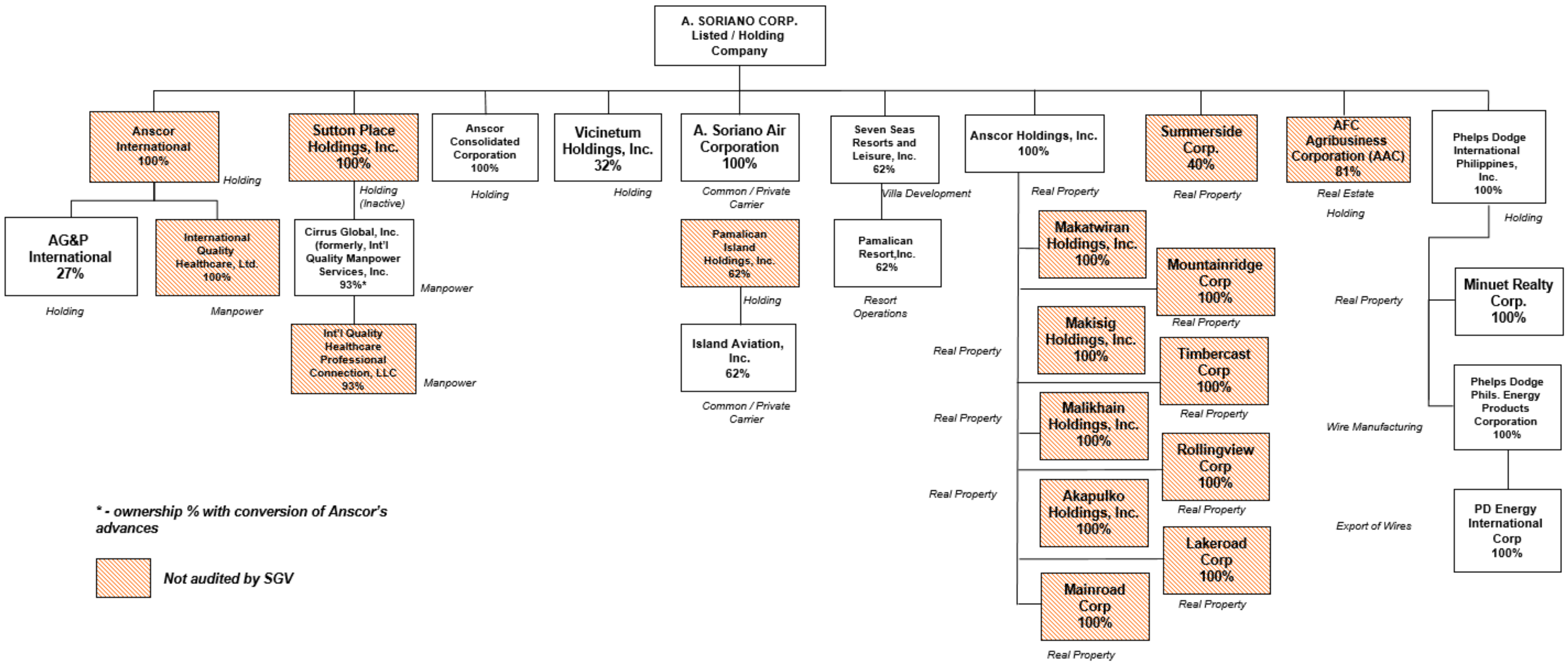
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

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

A. SORIANO CORPORATION AND SUBSIDIARIES

GROUP STRUCTURE
DECEMBER 31, 2017



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*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
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			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 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*		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
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.*

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
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
FVPL INVESTMENTS				
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
ATRAM-ROP 4 5/8% 12/04/22-PHP	PHP 50,000,000	49,787,071	49,787,071	(212,929)
ATRAM-ROP 3 3/8% 8/20/20-PHP	PHP 50,000,000	49,075,322	49,075,322	(36,525)
BS-Agromercantil SR 6.25% 100419-USD	$ 300,000	15,390,922	15,390,922	957,944
BS-Banco Bilbao Vizcaya ARG 9% 290549 Perp-USD	$ 200,000	10,210,685	10,210,685	728,651
BS-Banco Do Brasil(Cayman) 9% 311249 Perp-USD	$ 300,000	16,102,425	16,102,425	3,365,354
BS-Banco Nac De Desen Econo 4.75% 090524-USD	$ 300,000	15,091,342	15,091,342	673,225
IA-Cemex Finance Europe 4.75% 050314-USD	$ 300,000	15,787,866	15,787,866	1,391,756
BS-China Oil and Gas Group 4.625% 200422-USD	$ 300,000	15,068,874	15,068,874	398,342
BS-Citigroup Inc 5.875% 291249 Perp-USD	$ 500,000	25,869,981	25,869,981	2,124,564
BS-Country Garden Holdings 4.75% 250722-USD	$ 300,000	14,998,473	14,998,473	359,726
BS-Ecopetrol SA 5.375% 260626-USD	$ 300,000	16,064,978	16,064,978	1,907,343
BS-First Gen Corporation 6.5% 091023-USD	$ 151,748	8,050,326	8,050,326	1,147,976
BS-Franshion Brilliant Ltd Variable Perp-USD	$ 300,000	14,754,315	14,754,315	(7,172)
BS-Global Prime Capital 5.5% 181023-USD	$ 300,000	15,053,895	15,053,895	810,220
BS-Greenko Investment Co 4.875% 160823-USD	$ 300,000	14,844,189	14,844,189	57,632
BS-JPMorgan Chase 7.9% 300449 callable 300418-	$ 500,000	25,277,062	25,277,062	1,424,068
BS-Meiji Yasuda Life Insurance 5.21% 201045-USD	$ 300,000	16,064,978	16,064,978	71,664
BS-Mersin Ulus Liman 5.875% 120820-USD	$ 250,000	12,888,181	12,888,181	412,762
Mexichem Sab De CV 4% 041027-USD	$ 300,000	14,979,000	14,979,000	14,784
BS-Myriad Intl Holdings (MIH) BV 5.5% 210725-	$ 300,000	16,253,713	16,253,713	2,005,396
BS-PLA Administradora Indus 5.25% 101122-USD	$ 300,000	15,559,436	15,559,436	396,759
BS-Pakuwon Prima 5% 140224-USD	$ 300,000	15,091,343	15,091,343	293,669
BS-Petrobas Global Finance 5.299% 270125-USD	$ 318,000	15,996,823	15,996,823	2,690,946
BS-Petroleos Mexica Pemex 3.5% 300123-USD	$ 200,000	9,756,322	9,756,322	167,845
BS-Royal Capital 5.5% 291249 Perp-USD	$ 785,000	39,430,220	39,430,220	5,126,054
BS-Samvardhana Motherson AU 4.875% 161221-	$ 300,000	15,623,097	15,623,097	1,412,760
BS-Telfonica Celuar 6.75% 131222-USD	$ 300,000	15,498,921	15,498,921	1,067,121
BS-Theta Capital PTE Ltd 7% 110422-USD	$ 300,000	15,450,839	15,450,839	977,337
BS-Tupy S/A 6.625% 170724-USD	$ 300,000	15,840,293	15,840,293	130,002
BS-VON (Veon Holdings) 3.95% 160621-USD	$ 200,000	9,986,000	9,986,000	172,786
BS-Wachovia Cap. Trust III 5.56975% 290349-USD	$ 500,000	24,677,903	24,677,903	1,685,368
BPI-EDC 2021 6.5% 012021-USD	$ 2,420,000	133,389,733	133,389,733	7,670,982
BPI-ICTSI Perp 6.25% 050519-USD	$ 440,000	22,778,545	22,778,545	1,449,988
BPI-PCOR-Perp 7.50% 08/06/18	$ 1,421,000	72,419,915	72,419,915	(1,293,741)
BPI-SMCG-Perp 7.50% 11/07/19-USD	$ 561,000	29,662,243	29,662,243	2,573,775
BPI(ASF)-Globe Bond 3.91% 071720-PHP	PHP 1,000,000	1,000,927	1,000,927	39,209
		833,776,158	**833,776,158**	**42,155,641**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BPI(ASF)-MM UTF (Trust Fund)-PHP	907	214,351	214,351	2,752
		214,351	**214,351**	**2,752**
OTHERS	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BPI(ASF)-Arthaland Corporation Pref B(ALCPB)-Peso	2,300	248,400	248,400	24,574
Ayala Corp. Preferred B1-Peso	15,000	7,920,000	7,920,000	150,301
BPI(ASF)-fgen Pref 8% 7.25.18-PHP	45,000	5,175,000	5,175,000	450,000
BPI(ASF)-Globe Preferred-Php	15,000	7,845,000	7,845,000	135,045
GTCAP Pref A(GTPPA)-Php	875	901,250	901,250	44,444
		22,089,650	**22,089,650**	**804,364**
TOTAL - FVPL INVESTMENTS		**856,080,159**	**856,080,159**	**42,962,757**
AFS INVESTMENTS				
QUOTED EQUITY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Aboitiz Power Corporation	1,000,970	41,590,303	41,590,303	11,287,959
Ayala Land, Inc.	1,676,900	74,789,740	74,789,740	225,576
Banco de Oro Unibank, Inc.	549,590	90,132,760	90,132,760	599,205

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
Bloomberry Resorts Corporation	40,000,000	436,000,000	436,000,000	-
Cebu Air, Inc.	187,000	18,700,000	18,700,000	-
Century Pacific Food, Inc.	7,410,600	119,903,508	119,903,508	988,884
China Banking Corporation	1,184,320	39,437,856	39,437,856	-
Concepcion Industrial Co.	704,744	44,539,821	44,539,821	1,649,676
D&L Industries, Inc.	6,712,397	74,239,111	74,239,111	4,504,976
Eagle Cement Corporation	2,438,300	36,038,074	36,038,074	-
Jollibee	320,420	81,066,260	81,066,260	498,096
I C T S I	29,290,030	3,090,098,165	3,090,098,165	74,105,014
iPeople, Inc.	91,745,934	1,192,697,142	1,192,697,142	20,914,945
Macroasia Corporation	1,000,000	22,850,000	22,850,000	-
Manila Water Company, Inc.	4,356,100	122,188,605	122,188,605	5,102,052
Metrobank & Trust Co.	588,930	59,717,502	59,717,502	-
Metro Pacific Investment Corp	28,223,300	193,329,605	193,329,605	904,704
Max's Group, Inc.	4,070,200	75,705,720	75,705,720	338,702
Megawide	46,183,430	831,301,740	831,301,740	2,309,172
Nickel Asia Corporation	7,052,000	44,639,160	44,639,160	-
R C B C	754,080	41,738,328	41,738,328	-
Robinson's Retail Holdings, Inc	2,040,230	196,270,126	196,270,126	803,173
Security Bank Corporation	285,160	71,689,224	71,689,224	1,171,260
SUTTON-ACMDC		6,202	6,202	-
ANSCORCON-PLDT Preferred	400	208,990	208,990	-
ANSCORCON-Meralco	636	4,368	4,368	-
ANSCORCON-ACMDC	840,173	4,200,865	4,200,865	-
		7,003,083,175	**7,003,083,175**	**125,403,394**
UNQUOTED EQUITY SHARES	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Central Azuc dela Carlot	271	780	780	
K S A Realty Inc	-	752,922,632	752,922,632	114,237,366
Manila Peninsula Hotels,Inc.	265,000	2,444,945	2,444,945	-
Medical Doctors, Inc.	790	79,000	79,000	254,513
PLDT Co - Pref	1,200	12,600	12,600	-
Realty Investment Inc	120,000	32,500	32,500	180,000
Madaket	-	99,860,000	99,860,000	-
Sierra Madre	-	12,197,974	12,197,974	-
Element Data	-	49,930,000	49,930,000	-
Tech Venture	-	104,211,023	104,211,023	-
Navegar 1 GP Ltd (Citco)	-	35,807,252	35,807,252	
AI-Ym Abs	-	152,244,858	152,244,858	-
		1,209,743,564	**1,209,743,564**	**114,671,879**
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BS-ABJA Investment Co(Tata Steel) 5.95% 310724-	$ 200,000	10,535,230	10,535,230	581,837
BS-African Export-Import Bank 4.125% 200624-	$ 200,000	10,073,377	10,073,377	173,529
BS-African Export Bank 4.00% 240521-USD	$ 300,000	15,166,237	15,166,237	593,096
BS-Banco Nal Costa Rica 5.875% 250421-USD	$ 300,000	15,601,377	15,601,377	870,252
BS-Caixa Economica Federal 4.5% 031018-USD	$ 300,000	15,128,790	15,128,790	555,774
BS-Caixa Economica Federal 3.5% 071122-USD	$ 200,000	9,711,385	9,711,385	65,206
BS-Central China Real Estate 6% 160718-USD	$ 300,000	15,036,669	15,036,669	351,047
BS-Eastern & Southern Afric 5.375% 140322-USD	$ 300,000	15,690,503	15,690,503	631,801
FPC Treasury Ltd 4.5% 160423-USD	$ 300,000	15,286,070	15,286,070	668,530
BS-Gazprom (Gaz Capital SA) 4.95% 190722-USD	$ 300,000	15,671,779	15,671,779	852,530
BS-Gazprom (GPN CAP) 4.375% 190922-USD	$ 300,000	15,338,496	15,338,496	859,308
BS-KOC Holdings AS 3.5% 240420-USD	$ 200,000	9,995,986	9,995,986	405,508
BS-Kuwait Projects Co 5% 150323-USD	$ 280,000	14,594,839	14,594,839	698,048
BS-MTN Mauritius Investment 4.755% 111124-USD	$ 300,000	14,866,658	14,866,658	624,129
BS-Megaworld Corporation 4.25% 170423-USD	$ 300,000	15,166,238	15,166,238	630,489
BS-National Savings Bank 5.15% 100919-USD	$ 300,000	15,166,238	15,166,238	737,784
BS-Office Cherifien Des PHO 5.625% 250424-USD	$ 300,000	16,030,526	16,030,526	805,998
BS-Russian Railways via RZD Cap 4.375% 010324-	$ 300,000	15,334,751	15,334,751	386,085

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
BS-SoftBank Group Corp 4.75% 190924-USD	$ 300,000	14,859,168	14,859,168	148,295
BS-TC Ziraat Bankasi AS 5.125% 030522-USD	$ 300,000	14,385,232	14,385,232	301,421
BS-Transnet Soc Ltd 4% 260722-USD	$ 300,000	14,616,508	14,616,508	403,451
BS-Turkiye IS Bankasi AS 5% 250621-USD	$ 200,000	9,992,790	9,992,790	471,001
BS-VTB Bank(VTB Capital) 6.95% 171022-USD	$ 200,000	10,799,859	10,799,859	662,382
BS-VON (Veon Holdings) 5.95% 130223-USD	$ 300,000	16,121,898	16,121,898	888,303
BPI-FGEN-M 2.4659% 100923-USD	$ 577,000	11,582,001	11,582,001	31,868
IP-ICTSI 7.375% 031120-USD	$ 1,545,000	84,954,005	84,954,005	4,493,145
BPI-ICTSIM 4.63% 01/16/23-USD	$ 1,241,000	64,321,447	64,321,447	2,456,280
BPI-JG Summit Bond 4.375% 012323	$ 2,029,000	104,897,311	104,897,311	3,869,771
BPI-SMIC 4.875% 061024-USD	$ 1,210,000	64,141,716	64,141,716	2,572,944
BPI(ASF)-Manila North 4.06% 33114-PHP	PHP 380,000	382,953	382,953	16,697
BPI(ASF)-PSB-USN 4.40% 08/23/24-PHP	PHP 1,000,000	1,000,000	1,000,000	44,122
BPI(ASF)-RCBC-USN 4.30% 9/27/24-PHP	PHP 5,100,000	5,100,000	5,100,000	219,909
BPI(ASF)-SMIC Bond 4.24% 05/19/21-PHP	PHP 10,000,000	10,000,000	10,000,000	424,803
BPI(ASF)-STI-BondM 4.65% 3/23/24-PHP	PHP 3,000,000	2,950,064	2,950,064	107,651
		684,500,101	**684,500,101**	**27,602,994**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Rohatyn Global (class B & S2)	-	646,395	646,395	-
IA-Ascendas India Dev'e Trust-SGD	-	8,369,123	8,369,123	-
BS-BGF-Global Multi Asset Income Fund-USD	47,939	23,624,598	23,624,598	1,286,345
BS-Invesco US Senior Loan Fund-USD	11,227	50,019,692	50,019,692	1,896,839
BS-Ishares JPM USD EM BOnd UCITS ETF-USD	26,000	148,771,428	148,771,428	7,200,284
BS-Lloyds Banking Group PLC-GBP	130,000	5,903,433	5,903,433	272,626
BS-Longlobal-Singapore Dividend Equity Fund-SGD	324,736	13,053,306	13,053,306	-
BS-PIMCO Funds Ireland PLC-Cap Sec Fund E-USD	59,347	31,647,027	31,647,027	780,374
BS-PIMCO Funds Global Investors Series PLC-USD	44,803	24,853,150	24,853,150	-
BPI(ASF)-MM UTF (Trust Fund)-PHP	-	172	172	-
BPI-Neuberger US Strat. Income Fund (NBUSIDI)-	80,958	42,039,019	42,039,019	286,735
BPI-(PINCMII)-PIMCO Income Fund-Inc.-USD	204,876	119,582,546	119,582,546	2,120,682
MS-UBS USD Autocallable Stk-USD	-	266,500	266,500	-
AHI-PLDT Series Y 10% Cumm. Pref.	4,200	46,452	46,452	-
AHI-PLDT Series BB 10% Cumm. Pref.	1,200	13,248	13,248	-
		468,836,089	**468,776,389**	**13,843,885**
		136,953,250	-	
PROPRIETARY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Canlubang Golf & Country Club	2	2,000,000	2,000,000	-
Celebrity Sports Plaza	1	200,000	200,000	-
Fuego Development Corporation	1	803,250	803,250	-
Manila Golf & Country Club	2	165,000,000	165,000,000	-
Matabungkay Beach Resort	1	15,000	15,000	-
Metropolitan Club	1	275,000	275,000	-
Orchard Golf & Country Club	1	100,000	100,000	-
Palms Country Club Class A	1	600,000	600,000	-
Ridge Country Club	1	10,000	10,000	-
Sta Elena Properties'A'	3	9,600,000	9,600,000	-
Valle Verde Country Club	1	350,000	350,000	-
PLDT	11,330	119,072	119,072	-
Makati Medical Center	300	5,001	5,001	-
Orchards Golf Club "A"	1	300,000	300,000	-
Alabang Country Club "A"	2	10,600,000	10,600,000	-
Club Filipino	1	180,000	180,000	-
Cresta Del Mar	1	68,000	68,000	-
Makati Sports Club "A"	1	400,000	400,000	-
Philippine Village Resort	1,000	5,000	5,000	-
Valle Verde Country Club	3	1,500,000	1,500,000	-
Valley Golf Club	1	250,000	250,000	-
Manila Southwoods "A"	1	800,000	800,000	-
Puerto Azul	1	100,000	100,000	-

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
Alta Vista De Cebu (Vistamar)	1	300,000	300,000	-
Camp John Hay	2	240,000	240,000	-
Tagaytay Midlands Golf Club, Inc.	1	500,000	500,000	-
		194,320,323	**194,320,323**	**-**
TOTAL - AFS INVESTMENTS		**9,560,483,252**	**9,560,423,552**	**281,522,152**
GRAND TOTAL - FINANCIAL ASSETS		**10,416,563,411**	**10,416,503,711**	**324,484,909**

Note 1 This account consists of investments that are designated as AFS, FVPL and held-for-trading investments.

Note 2 This column includes interest income, dividends and unrealized gain/loss in market value of FVPL investments charged to income in 2017

A. SORIANO CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2017

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
LEGASPI, Jayson (Note 1)	600,890	886,322	674,120	813,091	-	813,091
SICAT, Ariel (Note 1)	-	931,987	267,540	664,447	-	664,447
ONG, Joseph (Note 2)	739,200	-	165,888	-	573,312	573,312
SYJUCO, Mike (Note 1)	490,697	851,722	1,018,217	324,201	-	324,201
RIVERA, Alejandro Miguel (Note 1)	-	415,445	111,251	304,195	-	304,195
MALACASTE, Jay (Note 1)	15,000	426,014	138,088	302,926	-	302,926
LACANILA, Ephraim (Note 1)	690,444	-	394,539	-	295,905	295,905
SUMANG, Nilo (Note 1)	690,444	-	394,539	-	295,904	295,904
NAVARRA, Sammy (Note 1)	272,139	-	-	-	272,139	272,139
ROLLOM, Edwin (Note 1)	6,863	624,230	369,090	262,002		262,002
LONTOC, Ralph (Note 1)	-	435,083	177,168	257,915	-	257,915
BAUTISTA, Juan Miguel (Note 1)	-	465,846	213,311	252,535	-	252,535
CASTRO, Joshua	56,486	216,596	60,086	212,996	-	212,996
BUSALPA, Jerald (Note 1)	456,310	491,509	738,882	208,937	-	208,937
RIVERA, Ariel (Note 2)	334,256	50,000	177,872	50,000	156,384	206,384
CAGUITLA, Emmanuel (Note 2)	405,771	-	208,411	-	197,360	197,360
CUNANAN, Edcell (Note 1)	456,310	195,604	456,310	195,604	-	195,604
RESMA, Mark	39,753	215,362	59,753	195,362	-	195,362
MANALO, Emilio (Note 2)	493,568	-	326,400	-	167,168	167,168
SANTOS, Claudine N.	39,662	390,280	290,666	139,276	-	139,276
SONZA, Arlene	137,853	-	-	-	137,853	137,853
HERNANDEZ, Julio	-	286,290	152,957	133,333	-	133,333
SANTIAGO, Chevy	46,943	125,196	51,943	120,196	-	120,196
PENULLAR, Benigno	62,968	245,970	194,235	114,703	-	114,703
REYES, Rosalina	123,031	145,400	174,797	93,635	-	93,635
REYES. Joseph Albert	28,889	299,664	242,138	86,415	-	86,415
DUNGAO, Anita	29,000	92,000	35,139	85,861	-	85,861
CARREON, Ma. Cristina	-	107,000	21,847	85,153	-	85,153
ABUY Deuel	18,056	100,000	33,333	84,722	-	84,722
MANALOTO, Joven	29,500	100,000	47,833	81,667	-	81,667
VELASCO, Andrew	10,000	111,899	41,000	80,899	-	80,899
GROSPE, Veronica	-	154,503	73,732	80,771	-	80,771
DONATO Jose	13,333	100,000	34,027	79,305	-	79,305
COBARIA, Joselito	65,389	83,500	73,333	75,555	-	75,555
POLINTAN, Renato	53,750	115,000	97,778	70,972	-	70,972
MAGAWAY, Pedro	14,306	100,000	46,111	68,194	-	68,194
CLAVEL Omar	43,056	50,000	26,222	50,000	16,833	66,833
HAPIN, Rina M.	17,641	816,284	768,625	65,300	-	65,300
BATENGA Raymund	40,278	50,000	25,000	50,000	15,278	65,278
NABONG, Michael	8,333	100,000	43,750	64,583	-	64,583
OROZCO, Emelinda P.	96,168	4,800	36,409	4,800	59,759	64,559
LACSINA, Jeffrey	97,007	122,840	157,007	62,840	-	62,840
NOTO, Joseph	70,000	25,000	32,500	25,000	37,500	62,500
FLORES Jr., Vicente	58,901	-	-	-	58,901	58,901
PEREZ, Bladimer	25,000	65,000	31,945	58,056	-	58,056
JUAN, Salazar	-	80,000	22,000	58,000	-	58,000
SALAZAR, Juan	31,800	80,000	53,800	58,000	-	58,000
BRUNO, Rachel	29,722	57,000	29,722	57,000	-	57,000
CANLAS Ranillo	93,750	-	41,667	-	52,083	52,083
ESTRELLA, Jason	25,000	42,208	15,918	42,208	9,082	51,290
CRESENCIA Rowena	29,889	50,000	29,611	50,000	278	50,278
TAYAG, Ramiel	45,000	50,000	45,000	50,000	-	50,000
VILLACERAN, Ayra	-	50,000	-	50,000	-	50,000
LACTAOTAO, Sander	30,556	50,000	31,944	48,611	-	48,611
MALLARI, Richard Felix	31,944	50,000	33,333	48,611	-	48,611
MONSANTO, Grazilde	47,500	50,000	49,444	48,056	-	48,056
BANIQUED Rustan	23,611	50,000	25,694	47,917	-	47,917
AYRO Jensyl	68,056	57,000	78,139	46,917	-	46,917
MENDOZA, Wendell	20,833	50,000	25,000	45,833	-	45,833
ASIO Delmar	42,500	50,000	47,500	45,000	-	45,000
GUEVARRA, Marlon	20,833	50,000	26,389	44,444	-	44,444
ADAOAG Antonio	-	50,000	5,556	44,444	-	44,444

A. SORIANO CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2017

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
OLIDAR, Allan	29,083	50,000	34,838	44,245	-	44,245
DIAZ Michael	28,722	50,000	35,056	43,667	-	43,667
CUEVAS Jonathan	33,333	50,000	40,278	43,056	-	43,056
LEE, Ismael	34,722	50,000	41,667	43,056	-	43,056
PAYANG, Diana	-	50,000	7,500	42,500	-	42,500
TOLENTINO, Angelito	20,389	50,000	28,278	42,111	-	42,111
DEPANTE, Susan C.	40,000	2,920	1,000	2,920	39,000	41,920
CAPIT Ariel	31,250	50,000	39,583	41,667	-	41,667
CARDENAS, Rhizza	43,875	50,000	52,208	41,667	-	41,667
SAHAGUN Joel	25,361	50,000	33,694	41,667	-	41,667
CARATIQUIT Kent Darien	36,111	50,000	45,833	40,278	-	40,278
DUMANDAN, Analyn	-	50,000	10,000	40,000	-	40,000
DE GUZMAN Jerry	16,667	50,000	27,778	38,889	-	38,889
MABUNGA John Dalton	18,056	50,000	29,167	38,889	-	38,889
CERVANTES, Carissa	38,800	-	-	-	38,800	38,800
JIMENEZ, Victor	19,833	50,000	31,250	38,583	-	38,583
DIZON Hilnes	18,056	50,000	30,556	37,500	-	37,500
CAPAN Danilo	35,417	50,000	47,917	37,500	-	37,500
SALVADOR, Rennier	16,667	50,000	29,167	37,500	-	37,500
FERNANDEZ, Analyn	63,444	20,000	46,861	20,000	16,583	36,583
VICTORIANO, Ricardo	17,778	50,000	31,667	36,111	-	36,111
EQUIZ, Willy	50,000	50,000	63,889	36,111	-	36,111
AGUSTIN Oscar	84,000	-	48,495		35,505	35,505
MAGBAG, Jane	24,000	50,000	39,000	35,000	-	35,000
MUERTEGUE, Salve	37,000	57,000	59,507	34,493	-	34,493
GRANADOZIN, Rubben	23,139	50,000	38,792	34,347	-	34,347
PANELO, Rolando	14,583	50,000	30,583	34,000	-	34,000
MATEO, Dante	17,778	50,000	34,444	33,333	-	33,333
GUEVARRA, Ma. Corazon	-	100,000	66,667	33,333	-	33,333
PEREZ, Joseph	38,800	50,000	55,467	33,333	-	33,333
CANLAS Michael	18,056	50,000	34,722	33,333	-	33,333
OCAMPO, Gerald	18,056	50,000	34,722	33,333	-	33,333
CALEJESAN, Yhellen	30,555	50,000	47,222	33,333	-	33,333
PACHECO, Jesser	28,430	50,000	45,388	33,042	-	33,042
BENITEZ Napoleon	18,056	50,000	35,097	32,958	-	32,958
VERGARA, Loui	21,444	50,000	39,361	32,084	-	32,084
FIGUEROA Jimmy	22,222	50,000	40,278	31,944	-	31,944
GUTIERREZ, Jennifer	26,389	50,000	44,444	31,944	-	31,944
BAIS, Alejandro	19,200	50,000	37,950	31,250	-	31,250
LUNDANG, Luisito	53,889	-	22,889	-	31,000	31,000
NARISO, Jerome	-	50,000	19,444	30,556	-	30,556
GADEN, Nicanor	16,667	50,000	36,125	30,542	-	30,542
FLORES, Rommel	38,889	50,000	58,889	30,000	-	30,000
LABAY, Veronica	50,000	-	20,000	-	30,000	30,000
TACANAY, Edward	15,278	50,000	36,111	29,167	-	29,167
CUTIONGCO, Hazel B.	35,963	79,908	87,581	28,290	-	28,290
QUIBALLO, Rhandel	16,667	50,000	38,889	27,778	-	27,778
AGUAS Eduard Jon	31,944	50,000	54,167	27,778	-	27,778
DOMOGMA, Aileen	10,000	97,495	80,638	26,857	-	26,857
SANTOS, Jefrey	20,000	60,000	53,584	26,416	-	26,416
COLOMA Errol	-	50,000	23,611	26,389	-	26,389
SANTOS, Jonathan	21,556	50,000	45,778	25,778	-	25,778
SUMALE, Jovy	20,667	50,000	44,922	25,744	-	25,744
DATANG Jesus	-	57,000	31,319	25,681	-	25,681
PASION, Albert	16,222	50,000	41,222	25,000	-	25,000
ACUZAR, Michael	31,667	50,000	56,667	25,000	-	25,000
GANNABAN, Benjie	12,667	50,000	37,867	24,800	-	24,800
GINESE, Pedrally	47,222	-	22,889	-	24,333	24,333
SANTOS, Valentino	16,667	50,000	43,750	22,917	-	22,917
NGOHO, Ella Mae	37,500	50,000	64,583	22,917	-	22,917
GUTIERREZ, Manrico	22,500	45,000	45,000	22,500	-	22,500
TUMANG Joenar	47,222		24,861	-	22,361	22,361

A. SORIANO CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2017

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
SUDARIA, ArliJoy	-	50,000	27,778	22,222	-	22,222
RAMOS, Mario	47,222	-	25,000	-	22,222	22,222
LIGUATON, Leah	122,571	539,590	640,675	21,486	-	21,486
YANGO Herma	-	50,000	29,028	20,972	-	20,972
MALIHAN, Anthony	-	50,000	29,167	20,833	-	20,833
ILARINA, Jeric	45,833	-	25,555	-	20,278	20,278
GUTIERREZ, Mario	8,333	50,000	38,167	20,167	-	20,167
BARTOLOME, Leah L.	-	80,800	60,800	20,000	-	20,000
NUNAG, Joemark	57,500	20,000	57,500	20,000	-	20,000
LAXAMANA, Ren	19,100	-	-	-	19,100	19,100
GALANG Joseph	40,000	-	21,111	-	18,889	18,889
LUPERA, Karl Lawrence	6,506	50,000	37,756	18,750	-	18,750
BUNDALIAN Raymond	34,722	50,000	66,667	18,056	-	18,056
CAYOBIT, Jose	887	145,000	127,887	18,000	-	18,000
PANGILINAN, Ryan	-	50,000	32,333	17,667	-	17,667
AGUILAR, Angelie	2,500	60,000	45,000	17,500	-	17,500
FRANCISCO, Dianne Rose	33,328	-	16,051	-	17,277	17,277
CLAVERIA Rolando	40,278	-	23,181	-	17,097	17,097
DAVID Dexter Gerald	7,611	50,000	40,611	17,000	-	17,000
ALFONSO Reymon	50,000	50,000	83,333	16,667	-	16,667
GAPAY, Gayford	44,444	-	27,778	-	16,667	16,667
BALANDITAN, Walter	61,800	-	45,133	-	16,667	16,667
ESCOTO Erwin	40,278	-	23,695	-	16,583	16,583
DORADO, Lani A.	10,000	47,866	41,866	16,000	-	16,000
BACULANTA, Jaime	-	30,000	14,267	15,733	-	15,733
CABUSAO Joel	50,000	-	34,292	-	15,708	15,708
NUNAG, Ronaldo	37,500	-	21,792	-	15,708	15,708
FABELLO, Patrick	462,068	-	446,669	-	15,400	15,400
TUCAQUI, Loreto	15,000	15,000	15,000	15,000	-	15,000
FRIAS, Noly	-	50,000	35,417	14,583	-	14,583
PEREGRINO, Ricardo	42,222	-	27,778	-	14,444	14,444
DEZA Joel	45,833	-	31,625	-	14,208	14,208
VALERIO, Janette M.	12,480	120,404	118,884	14,000	-	14,000
CUREG Joferson	40,278	-	26,389	-	13,889	13,889
LAYUG, Samuel	37,500	-	24,570	-	12,930	12,930
BAJAO, Rolando Danilo	9,600	55,000	51,850	12,750	-	12,750
GUTIERREZ, Bernadette	30,000	50,000	67,500	12,500	-	12,500
FERNANDEZ, Joselito B.	7,425	42,850	38,375	11,900	-	11,900
MENDOZA, Ricky	36,389	-	24,528	-	11,861	11,861
VILLANUEVA, Enrico	45,706	-	34,594	-	11,111	11,111
MACAPAGAL James D	38,889	-	27,778	-	11,111	11,111
SUEGAY, joey	-	556,564	545,910	10,654	-	10,654
MARTINEX, John Christian	-	10,500	-	10,500	-	10,500
CADIANG Jessie	11,389	50,000	50,972	10,417	-	10,417
Various	3,931,413	2,015,689	4,472,929	1,474,172	-	1,474,172
	14,567,248	18,071,141	19,352,809	10,401,106	2,884,473	13,285,580

Note 1 : Unamortized cost of Island Aviation flight and maintenance crew

Note 2 : Car loan of managers of Phelps Dodge

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
A. SORIANO CORPORATION RECEIVABLES FROM ITS SUBSIDIARIES												
Anscor Holdings, Inc.	256,932,545		24,694,057	265,869,116	15,757,486	-	15,757,486	working capital &	24,694,057		non-interest bearing	
Akapulko Holdings, Inc.	99,542	-	-	99,542	-	-	-	working capital	-		non-interest bearing	
Lakeroad Corporation	13,052	-		13,052	-	-	-	working capital	-		non-interest bearing	
Mainroad Corporation	13,462	-	-	13,462	-	-	-	working capital	-		non-interest bearing	
Makatwiran Holdings, Inc.	130,022	-	-	130,022	-	-	-	working capital	-		non-interest bearing	
Makisig holdings, Inc.	141,376	-	-	141,376	-	-	-	working capital	-		non-interest bearing	
Malikhain Holdings, Inc.	122,679	-	-	122,679	-	-	-	working capital	-		non-interest bearing	
Mountainridge Corporation	13,462	-	-	13,462	-	-	-	working capital	-		non-interest bearing	
Rollingview Corporation	13,462	-	-	13,462	-	-	-	working capital	-		non-interest bearing	
Summerside Corporation	13,052	-	785,125	13,052	785,125	-	785,125	working capital	785,125		non-interest bearing	
Seven Seas Resorts & Leisure Inc.	194,044	-	600,284	717,942	76,386	-	76,386	working capital	600,284		non-interest bearing	
Pamalican Resorts, Inc.	161,936	-	9,268,937	9,457,859	(26,986)	-	(26,986)	management fee & others	9,268,937		non-interest bearing	management fee amounting to $15,000/month
A. Soriano Air Corporation	8,002,306	-	31,442,810	8,002,306	31,440,504	2,306	31,442,810	working capital	31,442,810		non-interest bearing	
Island Aviation Inc.	(71,411)	-	473	-	473	(71,411)	(70,938)	working capital	473		non-interest bearing	
Anscor Consolidated Corporation	-	-	162,113,293	162,105,426	7,867	-	7,867	dividends & working capital	162,113,293		non-interest bearing	
Phelps Dodge Philippines Energy Products Corporation	28,597,301	-	75,772,143	62,480,124	28,566,510	-	41,889,320	management fee & others	75,772,143		non-interest bearing	annual management fees amounting toP7.2 million plus certain percentages of audited income before tax and technical assistance fees.
AFC Agribusiness Corporation	1,115,000	-	3,400,000		3,400,000	1,115,000	4,515,000	working capital	3,400,000		non-interest bearing	
Cirrus Medical Staffing, Inc.	56,400	-	-	56,400	-	56,400	-	working capital & investments	-		non-interest bearing	
Cirrus Global, Inc.	(2,131,653)	-	-	334,193	-	(2,465,846)	(2,465,846)	working capital & investments	-		non-interest bearing	
Anscor International, Inc.	3,084,724,916	-	152,912,223	1,206,315,235	152,912,223	1,878,409,681	2,031,321,904	working capital & investments	152,912,223		non-interest bearing	
	3,378,141,493	**-**	**460,989,345**	**1,715,898,710**	**232,919,589**	**1,877,046,130**	**2,123,232,128**					
RECEIVABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)												
Pamalican Resort Inc. (ASAC direct receivables)	454,837	-	1,986,391	2,237,487	203,741	-	203,741	working capital	1,986,391		non-interest bearing	
Pamalican Resort Inc. (IAI direct receivables)	19,177,424	-	57,433,926	52,829,324	23,782,026	-	23,782,026	Air Service	57,433,926		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Seven Seas Resorts & Leisure Inc. (PIHI direct receivables)	616,784	-	-	-	-	616,784	616,784	working capital	-		non-interest bearing	
	20,249,045	-	59,420,317	55,066,811	23,985,767	616,784	24,602,551					

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
Island Aviation Inc. (direct receivable of PRI)	62,957,164	-		10,644,101	-	34,199,229	52,313,063	working capital	-	5% per annum	payable in ten equal installments starting March 31, 2013	
Island Aviation Inc. (direct receivable of Seven Seas)	122,826		10,200,000	122,826	10,200,000	-	10,200,000					
Pamalican Island Holdings, Inc. (direct receivable of PRI)	19,386,476	-	-	-	-	19,386,476	19,386,476	working capital	-		non-interest bearing	
	82,466,466	-	10,200,000	10,766,927	10,200,000	53,585,705	81,899,539					
Sutton Place Holdings Inc. (Conso)												
A. Soriano Corporation (direct receivable of CGI)	2,131,653	-	-	130	-	2,131,653	2,131,523	working capital & investments	-		non-interest bearing	
Cirrus Medical Staffing - Conso (direct receivable of CGI)	19,177,636		-	19,177,636	-	-	-	working capital	-		non-interest bearing	
	21,309,289	-	-	19,177,766	-	2,131,653	2,131,523					
	124,024,800	**-**	**69,620,317**	**85,011,504**	**34,185,767**	**56,334,142**	**108,633,613**					
PAYABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)												
A. Soriano Corporation	7,930,895	-	31,443,283	8,002,306	31,440,977	(69,105)	31,371,872	working capital	31,443,283	7% per annum	Until June 15, 2016	
Seven Seas Resorts & Leisure Inc.	122,826	-	10,200,000	122,826	10,200,000	-	10,200,000					
Seven Seas Resorts & Leisure Inc. - Conso (direct payable of IAI)	62,957,164	-	-	10,644,101	-	52,313,063	52,313,063	working capital	-	5% per annum	payable in ten equal installments starting March 31, 2013	
Seven Seas Resorts & Leisure Inc. - Conso (Direct payable of PIHI)	19,386,746	-	-	-	-	19,386,746	19,386,746	working capital	-		non-interest bearing	
	90,397,631	-	41,643,283	18,769,233	41,640,977	71,630,704	113,271,681					
ANSCOR CONSOLIDATED CORPORATION												
A. Soriano Corporation	-	-	162,113,293	162,105,426	7,867	-	7,867	dividends & working capital	162,113,293		non-interest bearing	
	-	-	162,113,293	162,105,426	7,867	-	7,867					
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
A.Soriano Corporation	355,980	-	9,869,221	10,175,801	49,401	-	49,401	working capital	9,869,221		non-interest bearing	
A. Soriano Air Corporation	454,837	-	2,404,654	2,655,750	203,741	-	203,741	working capital	2,404,654		non-interest bearing	
Island Aviation, Inc. (direct payable of PRI)	19,177,424	-	57,433,926	52,829,324	23,782,026	-	23,782,026	Air Service	57,433,926		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Pamalican Island Holdings, Inc. (ASAC- Conso)	616,784	-	-	-	-	616,784	616,784	working capital	-		non-interest bearing	
	20,605,025	-	69,707,801	65,660,875	24,035,168	616,784	24,651,952					

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
PHELPS DODGE INTERNATIONAL PRODUCTS PHILIPPINES, INC.												
A. Soriano Corporation (direct payable of PDP Energy)	28,597,301		75,772,143	62,480,124	41,889,320	-	41,889,320	management fee & others	75,772,143		non-interest bearing	annual management fees amounting toP7.2 million plus certain percentages of audited income before tax and technical assistance fees.
	28,597,301	-	75,772,143	62,480,124	41,889,320	-	41,889,320					
ANSCOR HOLDINGS INC. (Conso)												
A. Soriano Corporation	257,479,602	-	24,694,057	266,416,173	15,757,486	-	15,757,486	working capital	-		non-interest bearing	
	257,479,602	-	24,694,057	266,416,173	15,757,486	-	15,757,486					
Summerside Corporation (Conso)												
A. Soriano Corporation	13,052	-	785,125	13,052	785,125	-	785,125	working capital	-		non-interest bearing	
	13,052	-	785,125	13,052	785,125	-	785,125					
SUTTON PLACE HOLDINGS, INC. (Conso)												
A. Soriano Corporation	678,020	-	-	98,350	-	579,670	579,670	working capital	-		non-interest bearing	
	678,020	-	-	98,350	-	579,670	579,670					
Anscor International (Conso)												
A. Soriano Corporation (direct payable of Cirrus Medical Staffing)	56,400	-	-	56,400	-	-	-	working capital & investments	-		non-interest bearing	
A. Soriano Corporation (direct payable of AI)	3,084,724,916	-	152,912,223	1,206,315,235	152,912,223	1,878,409,681	2,031,321,904	working capital & investments	152,912,223		non-interest bearing	
Cirrus Global, Inc. (Sdirect payable of Cirrus Medical Staffing)	19,177,636		-	19,177,636	-	-	-	working capital	-		non-interest bearing	
	3,103,958,952	-	152,912,223	1,225,549,271	152,912,223	1,878,409,681	2,031,321,904					
	3,501,729,584	**-**	**527,627,925**	**1,801,092,504**	**277,028,166**	**1,951,236,839**	**2,228,265,005**					

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2017
(Amounts in PHP)

Description	Beginning Balance	Additions at cost	Deductions: Charged to cost & expenses	Deductions: Charged to other accounts	Other Changes: Additions	Other Changes: Deductions	Ending Balance
PREPAYMENTS AND OTHER CURRENT ASSETS							
Prepaid insurance and others	18,676,972		640,890	-	-	-	18,036,082
Deposits	46,269,277	-	-	15,423,550	-	-	30,845,727
Prepaid taxes and Input VAT	12,464,248	-	-	1,106,346	-	-	11,357,902
Short-term investment/placements	70,500,000	-	-	70,500,000	-	-	-
Others	22,167,164	-	-	14,182,013	-	-	7,985,151
	151,400,689	-	-	101,211,909	-	-	50,188,780
	170,077,661	-	640,890	101,211,909	-	-	68,224,862
							-
GOODWILL							
Seven Seas Resorts and Leisure Inc.	99,330,987	-	-	-	-	-	99,330,987
Phelps Dodge International Philippines, Inc.	1,202,945,277	-	-	-	-	-	1,202,945,277
Cirrus Medical Staffing, LLC (Note 1)	587,219,800	-	-	-	-	587,219,800	-
	1,889,496,064	-	-	-	-	-	1,302,276,264
OTHER NONCURRENT ASSETS							
Fund for villa operations	85,261,048	6,585,339	-	-	-	-	91,846,387
Deposits to supplier	35,191,266	21,270,688	-	-	-	-	56,461,954
Computer software	-	13,845,662	-	-	-	-	13,845,662
Deferred nurse cost	3,242,209	-	1,143,044	-	-	-	2,099,165
Refundable deposits	2,096,322	-	-	1,405,119	-	-	691,203
Others	3,215,933	145,338	-	-	-	-	3,361,271
Total	129,006,778	41,847,027	1,143,044	1,405,119	-	-	168,305,642

Note 1 - In 2017, the Group sold its investment in Cirrus resulting to derecognition of its goodwill.

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
AS OF DECEMBER 31, 2017
(Amounts in PHP)

Title of issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under caption "Current portion of long-term debt" in related balance sheet	caption "Long-term debt - net of current portion" in related balance sheet
Loan availed by Anscor:			
Bank of the Philippine Islands (Note 1)	1,011,082,500	449,370,000	561,712,500
Loan availed by PDP:			
BDO UNIBANK (Note 2)	681,428,571	151,428,571	530,000,000
Loan availed by IAI:			
Bank of the Philippine Islands (Note 3)	26,213,250	10,485,300	15,727,950
Total	1,718,724,321	611,283,871	1,107,440,450

Note 1 - On of June 24, 2013, the Company obtained a total loan amounting to US$45.0 million or P1,997.8 million to finance the investments in shares of stock of AG&P. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to P2,327.8 million and P2,273.7 million as of 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 of December 31, 2017, the company is in compliance with the debt covenants. A portion of the pledged shares are expected to be realeased in 2018.

Note 2 - In 2015, PDP Energy obtained a long-term loan to partially fund the P1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to P1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the Bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2017, PDP Energy is in compliance with the debt covenants.

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

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

On December 19, 2016, the pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor was released by the bank.

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

Note 3 - In 2014, IAI converted the short-term loan amounting to $1.05 million (P46.56 million) to long-term loan . The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

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

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

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2017 AND 2016
(Amounts in PHP)

PARTICULARS	Balance at beginning of period	Balance at end of period
Due From:		
Multi-media Telephony, Inc. (MTI) (Notes 1)	**566,037,369**	**566,037,369**
Others (Note 2)	**993,601**	**80,457,943**
	567,030,970	**646,495,312**
Less Allowance for Doubtful Accounts	**564,761,343**	**564,761,343**
RECEIVABLE - NET	**2,269,627**	**81,733,969**

-

Note 1 In June and September 2005, the Company entered into a loan agreement with MTI for the latter to issue convertible debts to the Company. The debts, totaling US$3.0 million are payable in 270 days and bear interest at 20% per annum. Prior to the payment date, the Company has the option to convert the said debt into Vicinetum Holdings, Inc.'s (VHI) (MTI's parent company) shares of stock.

In 2006, the Company provided additional advances to MTI amounting to US$6.5 million. The advances are payable in two years and bear interest at 20% per annum. The Company has the option to convert these advances to shares of stock of MTI.

In 2007, additional ₱25.0 million advances were extended to MTI to be converted to 278,822 shares of VHI.

As of December 31, 2009, these advances were converted into deposits for future stock subscription of VHI shares.

Note 2 On November 22, 2017, the Company and a stockholder of Fremont Holdings Inc. (FHI) entered into conditional deed of sale for the Company's purchase of 12.75% stake in FHI. The Company made an advance payment of P77.4 million for the said transaction.

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2017
(Amounts in PHP)

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which this Statement is Filed	Nature of Guarantee
N A	NA	NA	NA	NA

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
AS OF DECEMBER 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares issued & Outstanding	Number of shares Reserved for Options,Warrants Conversions & Other Rights	Number of shares Held by		
				related parties	Directors, Officers & employees	Others
Common Stock	3,464,310,958	2,500,000,000	NA			
Treasury shares		-				
No. of shares issued (no. of shares outstanding - legal)		2,500,000,000		1,282,826,746	678,242,147	538,931,107
No. of shares held by a subsidiary (Anscor Consolidated Corporation)		(1,282,826,746) *				
No. of shares outstanding		1,217,173,254				

As of 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 P98.0 million (15,420,000 shares) and P6.8 million (1,106,100 shares) in 2017 and 2016, respectively.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building EDSA, Greenhills
City of Mandaluyong Metro Manila

Company Reg. No. PW-02

CERTIFICATE OF FILING OF AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

A. SORIANO CORPORATION

copy annexed, adopted on March 06, 2007 by majority vote of the Board of Directors and on April 16, 2007 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 48 of the Corporation Code of the Philippines Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Mandaluyong City, Metro Manila, Philippines, this 25th day of May, Two Thousand Seven.

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

AMENDED BY-LAWS
OF
A. SORIANO CORPORATION

ARTICLE I

CAPITAL STOCK AND SHARES

Section 1. Each stockholder shall be entitled to one or more shares of the Corporation registered in its Stock Books in the name of the person who has subscribed thereto. Certificates of Stock shall be issued in numerical order from the Stock Certificates Book and shall be signed by the Chairman of the Board and Chief Executive Officer or by the President and Chief Operating Officer, and countersigned by the Secretary and sealed with its corporate seal; Provided, that in lieu of the original signatures of the Chairman of the Board and Chief Executive Officer, or the President and Chief Operating Officer, and of the Secretary there may be substituted a facsimile of said signatures, in which case a certificate must bear the original and genuine signature of the Assistant Secretary or of an authorized representative of the Corporation's stock transfer agent and shall be sealed with the corporate seal. The certificates of stock shall be numbered in the order in which they are issued. On the stub of each certificate issued shall be recorded the data relative to each certificate.

Section 2. The certificates of stock may be transferred, sold, ceded or pledged by written endorsement on the back of the certificate and delivery thereof to the assignee, but the Corporation shall continue to honor the ownership of such certificate of the person in whose name it was issued, until such certificate is surrendered to the Secretary for cancellation and in lieu thereof a new certificate is issued in the name of the assignee.

The Corporation will refuse to record on its book the transfer of, and will not issue or sell, any shares of its capital stock or interest thereon, to persons who are not citizens of the Philippines, if, as a result of such issuance, sale or transfer, the total number of shares of capital stock owned on record or beneficially, as may be known to the Corporation, by non-Philippine citizens, will exceed FORTY PERCENT (40%) of the number of outstanding shares of capital stock and this restriction shall be indicated in all stock certificates.

Section 3. All certificates presented for transfer to the Secretary must be stamped "CANCELLED" on the face thereof together with the date of cancellation, and must be immediately attached to the corresponding stub in the stock book.

Section 4. New certificates of stock in lieu of those which have been lost or destroyed may be issued provided the owner of said certificates of stock, or his legal representative, shall file an affidavit, in triplicate, setting forth the circumstances under which said certificates have been lost or destroyed, the number of shares represented bv each certificate and the numbers of the certificates. The petitioner shall also submit such other information and evidence which he may deem convenient and necessary.

After verifying the affidavit and other information and evidence of the applicant with the books of the corporation, said corporation shall publish a notice of said loss in a newspaper of general circulation in the Philippines published in Manila, once a week for three consecutive weeks, at the expense of the petitioner. The notice shall state the name of the corporation, the name of the registered owner, the number of the certificates, and the number of shares represented by each certificate. After the expiration of one year from the date of the last publication, if no claim has been presented to said corporation regarding said certificates of stock, the right to make such claim shall be barred and said corporation shall cancel in its books the certificates of stock which have been lost or destroyed, issuing in lieu thereof new certificates of stock. If the registered owner files a bond satisfactory to the Board of Directors, running for a period of one year to indemnify the corporation during said period, of any loss or damages which it may incur for the issuance of the new certificates, the new certificates may be issued even before the expiration of the one-year period provided herein. Provided, however, that if a claim has been presented to the corporation or, if an action is pending in Court, regarding the ownership of said certificates of stock, the issuance of the new certificates of stock in lieu thereof shall be suspended until final adjudication by the Court regarding the ownership of the said certificates.

Section 5 The stock and transfer books of the corporation shall be closed for transfer at least twenty (20) days next preceding the Annual Meeting of Stockholders.

ARTICLE II

FUNDS OF THE CORPORATION

The funds of the Corporation shall be deposited in its name in such banks or credit institutions designated by the Board of Directors, with the exception of a small amount to be determined by the Board, which amount can be placed in the safe box of the Corporation.

ARTICLE III

MEETINGS

Section 1. The annual meeting of stockholders, legally constituted, represent the entire stockholdings and any resolutions adopted at such meetings are binding upon all stockholders present or absent.

Section 2. The meetings of stockholders shall be ordinary or extraordinary and held in the principal offices of the Corporation or in such place as may be designated by the Board within Metro Manila. Unless a different date and time preferably in April is fixed by the Board of Directors and only upon due notice, the annual meeting of stockholders shall be held at 10:00 o'clock in the morning on the THIRD WEDNESDAY OF OPRIL OF EACH YEAR, if not a legal holiday, and if a legal holiday, then on the day following. The special meeting of stockholders may be held at any time whenever so called by the Board of Directors or the Chairman and Chief Executive Officer.

Section 3. Notices of ordinary stockholders meeting shall be sent to stockholders or record at least fifteen (15) business days prior to the scheduled annual stockholders meeting. Notices for special meetings shall be mailed and deposited in any post office in Metro Manila addressed to each stockholder at his/her address registered in the Stock and Transfer Books of the Corporation at least fifteen (15) business days prior to the date of the meeting. The notice shall state the business to be discussed at the meeting and any other matters not stated therein shall not be touched upon. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

Section 4. The meetings of stockholders, ordinary and extraordinary, duly called, shall be constituted and the minutes recorded, provided that more than one-half of the outstanding stock must be present or represented except in cases in which the Corporation Law requires a higher majority. If no quorum is constituted, the meeting shall be adjourned until the requisite number of stockholders shall be present. When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

Section 5. For the election of Directors it shall be necessary that one-half plus one of all shares subscribed be present or represented.

Section 6. Any stockholder with the right to vote may be represented by proxy at any stockholders' meeting, ordinary or extraordinary. The proxies shall be in writing and signed, with no other formality required. The proxies for the ordinary meetings shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting, otherwise the proxies will be invalid. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

The Board of Directors shall set the date for validation of proxies which shall not be less than five (5) days prior to the scheduled annual stockholders meeting.

Section 7. Each share of stock, provided each share is fully paid for, is entitled to one vote in the name of the person recorded in the Stock Book of the Corporation.

Section 8. The election of directors must be made in accordance with law and every stockholder entitled to vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit;

provided, that the total number of votes cast by him shall not exceed the number of shares owned by him.

Section 9. In the annual meeting of stockholders, a board of SEVEN (7) directors shall be elected who will hold their offices for the ensuing term and until their successors are duly elected and qualified. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000 and as further amended by the Board of Directors on March 6, 2007 and by the Stockholders on April 16, 2007 .)*

ARTICLE IV

BOARD OF DIRECTORS

Section 1. The corporate powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board of SEVEN (7) Directors who shall be elected annually by the stockholders for a term of one (1) year and shall serve until the election and acceptance of their qualified successors. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000 and as further amended by the Board of Directors on March 6, 2007 and by the Stockholders on April 16, 2007 .)*

Without prejudice to the general powers hereinabove conferred, the Board of Directors shall have the following express powers:

a. From time to time to make and change rules and regulations not consistent with the by-laws for the management of the Company's business and affairs;

b. To purchase or otherwise acquire for the Company, rights or privileges which the Company is authorized to acquire at such price and on such terms and conditions and for such consideration as it shall from time to time see fit;

c. To pay for any property or rights acquired by the Company or to discharge obligations of the Company either wholly or partly in money or in stock, bond, debentures or other securities of the Company;

d. To borrow money for the Company and for such purpose to create, make and issue mortgages, bonds, deeds of trust and negotiable instruments or securities, secured by mortgage or pledge of property belonging to the Company; provided that, as hereinafter provided, the proper officers of the Company shall have these powers, unless expressly limited by the Board of Directors;

e. To prosecute, maintain, defend, compromise or abandon any law suit in which the Corporation or its officers are either Plaintiffs or Defendants in connection with the business of the Corporation, and likewise, to grant installments for the payments or settlement of whatsoever debts are payable to the Corporation;

f. To delegate, from time to time, any of the powers of the Board in the course of the current business or businesses of the Company to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the Company with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit; and

g. To dissolve doubts as to the meaning of these by-laws and supply the omissions thereof, and giving an account to the General Meeting of the same.

Section 2. No persons shall be elected director unless he has at lest twenty thousand shares of the capital stock of the Corporation registered in his name.

Section 3. In addition to the right of the Board of Directors to make nominations for the election of directors, nominations for the election of directors may be made by any shareholder entitled to vote for the election of directors if that shareholder complies with all of the following provisions:

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

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

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

Section 4. A director shall be qualified to hold office only upon pledging the twenty thousand shares registered in his name to the Corporation to answer for his conduct. If any vacancy shall occur among the directors by death, resignation or otherwise, the remaining directors, by affirmative vote of a majority thereof, may elect a successor to hold office for the unexpired portion of the term of the director whose place shall be vacant and until the election of the new board of directors.

Section 5. Regular meetings of the Board of Directors shall be held once every quarter of the year in the office of the Corporation on such dates and at such times as the Chairman of the Board and Chief Executive Officer, or in his absence, the President and Chief Operating Officer may determine. Special meetings of the Board and Chief Executive Officer, or in his absence, of the President and Chief Operating Officer, or upon the request of a majority of the directors.

Section 6. Notice of the regular or special meetings of the Board shall be communicated by the Secretary to each director, verbally or in writing at his residence or usual place of business at least twenty-four (24) hours before the meeting.

Section 7. A majority of the entire membership of the Board shall constitute a quorum for the transaction of any business, and the decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act.

A written resolution signed by all the directors shall be binding and valid as if the same had been taken up by the Board in a meeting duly called.

ARTICLE V

EXECUTIVE COMMITTEE

The Board of Directors shall create an Executive Committee composed of five (5) members. The Executive Committee shall meet regularly at such times and places to be determined by a majority vote thereof. Unless otherwise provided for by the Board of Directors, the Executive Committee shall be composed of the Chairman and Chief Executive Officer, the Vice Chairman, the President and Chief Operating Officer, and two (2) officers or directors of the Company to be appointed by the Chairman. The Chairman and Chief Executive Officer of the Company shall act as Chairman of the Executive Committee.

The Executive Committee may act by majority vote of all of its members, on matters within the competence of the Board, except as specifically limited by law or by the Board of Directors. *(As amended by the Board on 2-15-00; by the stockholders on 4-19-00)*

All actions of the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision or alteration by the Board, provided that no rights of third parties arising out of acts approved by the Executive Committee and within its scope of authority shall be affected by such revision or alteration.

Regular minutes of the proceedings of the Committee shall be kept in a book provided for that purpose. Vacancies in the Committee may be filled by the Board of Directors, provided that the parties agree to vote their shares, instruct their directors (to the extent permitted by law), or otherwise exercise their rights as stockholders so as to elect a person nominated by the party that nominated the member whose death, resignation or removal from office caused the vacancy.

Three (3) out of the five (5) members of the Executive Committee shall be necessary to constitute a quorum, and in every case the affirmative vote of the three members shall be necessary for the passage of any resolution. The Executive Committee may act by the written resolution of a quorum thereof, although not formally convened. It shall fix its own rules of procedure and shall meet as provided by such resolution or by resolution of the Board, and shall also meet at the call of its Chairman.

The Board of Directors shall fix the compensation of the members of the Executive Committee.

ARTICLE VI

OFFICERS

Section 1. The officers of the Corporation shall consist of a Chairman of the Board, who shall be the Chief Executive Officer, a Vice Chairman of the Board, a President, who shall be the Chief Operating Officer, an Executive Vice President, one or more Vice Presidents, a Treasurer and an Assistant Treasurer, a Secretary and an Assistant Secretary and such other officers as may, from time to time, be chosen and appointed by the Board of Directors.

Section 2. The Chairman of the Board and Chief Executive Officer of the Corporation shall have the following powers and duties:

a. To preside at the meetings of the Board of Directors and of the Stockholders;

b. To carry out the resolutions of the Board of Directors;

c. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors;

d. To have general supervision and administration of the affairs of the Corporation;

e. To represent the Corporation at all functions and proceedings and, unless otherwise directed by the Board , to attend and/or vote, (in person or by proxy) at any meeting of shareholders of corporations in which the Corporation may hold stock and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present. *(As amended by the Board on 2-15-00; by the stockholders on 4-19-00)*

f. To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which required the approval of the Board of Directors, except as otherwise directed by the Board of

Directors;

g. To make reports to the Directors and Stockholders;

h. To sign certificates of stock; and

i. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice Chairman shall exercise the functions of the Chairman and Chief Executive Officer as specified in the next preceding section of this Article VI in the event of absence or temporary disability of the Chairman of the Board and Chief Executive Officer, and shall perform such other functions as the Board of Directors or the Chairman and Chief Executive Officer may from time to time entrust or delegate to him. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 4. The President and Chief Operating Officer shall exercise the following functions:

a. To ensure that the administration and operational policies of the Corporation are carried out under the direction and control of the Chairman of the Board and Chief Executive Officer;

b. To supervise and direct the day-to-day business affairs of the Corporation;

c. To recommend to the Chairman of the Board and Chief Executive Officer specific projects for the attainment of corporate objectives and policies;

d. Subject to guidelines prescribed by law or by the Chairman of the Board and Chief Executive Officer, to appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, determine their salaries;

e. To oversee the preparation of the budgets and the statements of accounts of the Corporation;

f. To prepare such statements and reports of the Corporation as may be required by law;

g. To exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer may from time to time assign to him;

h. Unless otherwise directed by the Board of Directors or by the Chairman of the Board and Chief Executive Officer, to exercise the latter's functions as specified in the next preceding section of this Article VI in the event of absence or temporary disability of the Chairman of the Board and Chief Executive Officer and the Vice Chairman of the Board.

Section 5. The Executive Vice President – In the absence or disability of the President and Chief Operating Officer, the Executive Vice President shall act in his place, exercise his powers and perform his duties pursuant to these By-Laws. The Executive Vice President shall also exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer or the President and Chief Operating Officer may assign.

Section 6. The Vice Presidents shall have such powers and shall perform such duties as may from time to time be assigned to them by the Chairman of the Board and Chief Executive Officer or by the President and Chief Operating Officer. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 7. The Secretary shall issue notices of all meetings; shall keep their minutes; shall have charge of the seal and the corporate books; shall sign with the Chairman of the Board and Chief Executive Officer or with the President and Chief Operating Officer the certificates of stock and such other instruments as may require such signature; shall act as the inspector at the election of directors and other voting by stockholders, and as such, determine the number of shares of stock outstanding and entitled to vote, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote; and shall make such reports and perform such other duties as are incident to his office or are properly required of him by the Board of Directors. The Secretary may assign the exercise or performance of his duty to act as election inspector and all duties related thereto, including the tabulation of votes and the proper conduct of the election or vote, to any other person or persons, subject always to his supervision and control. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 8. In the absence of the Secretary, the Assistant Secretary shall act in his place and perform his duties. The Assistant Secretary shall also perform such other duties as may, from time to time, be assigned by the President and Chief Operating Officer.

Section 9. The Treasurer shall have the custody of all moneys, securities and values of the Corporation which come into his possession, and shall keep regular books of account. He shall deposit said moneys, securities and values of the Corporation in such banking institutions, as may be designated from time to time by the Board of Directors, subject to withdrawal therefrom only upon the checks or other written demands of the Corporation which have been signed by such officer or officers, or person or persons as the Board of Directors may from time to time direct.

Section 10. Assistant Treasurer – In the absence of the Treasurer, the Assistant Treasurer shall act in his place and perform his duties. The Assistant Treasurer shall also perform such other duties as may from time to time be assigned to him by the President and

Chief Operating Officer.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Corporation shall indemnify every director, officer or member of the Board, his heirs, executors and administrators against all costs and expenses reasonably incurred by such person in connection with any civil, criminal, administrative or investigative action, suit or proceeding to which he may be, or is, made a party by reason of his being or having been a director, officer or member of the Board of the Corporation, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for negligence or misconduct.

In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Corporation is advised by counsel that the person to be indemnified did not commit such a breach of duty.

The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding as authorized in the manner provided for in the preceding paragraph upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article.

ARTICLE VIII

AUDIT OF BOOKS

Section 1. In any ordinary meeting of stockholders to be held, a firm of Certified Public Accountants shall be appointed by the stockholders to examine the books of accounts of the Corporation, until said appointment has been revoked in another ordinary meeting of stockholders.

Section 2. The duties of the Auditor shall be to examine the books of ac counts of the Corporation when he may deem convenient. Such audits shall be made at least once every year and he shall issue his report on the annual balance sheets, which report shall be published together with the balance sheets. To this effect, the Auditor shall be allowed free access at any time to any and all books, documents and files of the Corporation concerning the status of the treasury.

Section 3. A copy of the audited financial statements of the Corporation shall be deposited in the offices of the Corporation at least fifteen (15) business days prior to the date of the annual meeting and shall be at the deposit of the shareholders for approval. *As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 4. The Board of Directors from time to time shall determine the remuneration of the Auditors; however, this power may be delegated to a Vice President or an Assistant Vice President.

Section 5. The fiscal year of the Corporation shall begin the first day of January and shall end on the last day of December of each year. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

ARTICLE IX

DISTRIBUTABLE FUNDS AND DISSOLUTION OF THE CORPORATION

Section 1. The Board of Directors may declare, from time to time, as partial dividends to the holder of stock, whichsoever funds of the Corporation the Board may deem not necessary for the carrying out of the purposes of the Corporation.

Section 2. The remuneration of the Board of Directors cannot be increased in the future without the approval, through a resolution, by the stockholders representing at lest a majority of the capital stock.

Section 3. Upon the expiration of the term of this Corporation if no agreement has been made regarding its extension, or, in case of dissolution, for any reason, the Board of Directors may perform the functions of liquidator and the applicable part of these by-laws shall continue in force and effect for the purpose and for the duration of such liquidation.

ARTICLE X

MISCELLANEOUS AND TRANSITORY PROVISIONS

Section 1. The Corporate Seal of the Corporation shall be circular in form and inscribed on its margin the name of the Corporation and the words “Makati, Rizal, Philippines” and within the circle, the words “Incorporated 1930”; and said seal shall, for the present, be adopted as seal of the Corporation.

Section 2. These By-Laws may be repealed, amended or revised at any special meeting of the Board of Directors called for the purpose when two-thirds of the members are present. Such amendments, revisions, repeals are to be presented to the stockholders for ratification at the Annual Stockholders’ Meeting immediately following such special meeting of the Board of Directors. Acts done by the Board pursuant to such amendments, repeals or revisions shall, unless and until expressly further amended or repealed by the stockholders, be deemed valid and shall bind the Corporation to all intents and purposes.

Section 3. These By-Laws shall be effective from this date, February 5, 1930, on which they were approved.

STOCKHOLDERS' CERTIFICATE

The undersigned stockholders of "Sorox y Cia", representing more than two-thirds (2/3) of the capital stock issued by the Corporation, for these presents, certify that the foregoing By-Laws and Regulations of the Corporation was adopted by unanimous vote of all stockholders at the Special Meeting of Stockholders held on February 5, 1930 called for this purpose.

IN WITNESS WHEREOF, we have signed these presents this 5th day of February 1930, setting forth opposite our names the corresponding shares owned by each of the undersigned:

(SGD.) A. SORIANO	185 Shares
(MARGARITA ROXAS VDA. DE SORIANO) p.p. (SGD.) A. SORIANO	10 Shares
(SGD.) FRANCISCO ORTIGAS	1 Share
(SGD.) JOHN R. SCHULTZ	1 Share
(SGD.) BENITO RAZON	1 Share
(SGD.) C. A. SOMBRAL	1 Share

DIRECTORS' CERTIFICATE

Manila, February 5, 1930

We the undersigned, a majority of the members of the Board of Directors of "Sorox y Cia", do hereby certify that the preceding typewritten pages constitute the By-Laws of the Corporation, as adopted by unanimous vote of all stockholders present, represented by more than two-thirds (2/3) of the total subscribed and paid-up capital stock of the Corporation in the Annual Meeting of Stockholders held on February 5, 1930 and called for that purpose.

SGD.) A. SORIANO

(SGD.) FRANCISCO ORTIGAS

(SGD.) JOHN R. SCHULTZ

(SGD.) BENITO RAZON

ATTEST:

(SGD.) BENITO RAZON
Secretary

A. SORIANO CORPORATION
INFORMATION STATEMENT

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

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.

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

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

2. Name of the registrant as specified in its charter : A. SORIANO CORPORATION

3. Province, or country or other jurisdiction of incorporation organization : Makati City, Philippines

4. SEC Identification Number : PW - 02

5. BIR Tax Identification Code : 000-103-216-000

6. Address of principal office : 7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue
1209 Makati City, Philippines

7. Registrant's telephone number, including area code : (632) 819-0251 to 60

8. Date, Time and Place of the meeting : 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 Building
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

A. GENERAL INFORMATION

Item 1: Date, Time and Place of Meeting of Security Holders

(a) 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 Building
Makati Avenue corner Gil Puyat Avenue
1209 Makati City, Philippines

(b) 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.

Item 2: 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.

Item 3: Interest of Certain Persons in Opposition to Matters to be Acted Upon

(a) 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.

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

(a) 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.

(b) 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.

(c) 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.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

i. *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	130,593,578	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 ATRAM Trust Corporation 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.

ii. Securities Ownership of Directors 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.

iii. Voting Trust Agreement

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

(e) 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.

Except as indicated in the above section 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.

Item 5: Information required of Directors and Executive Officers

(a) 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 (₱50,000,000.00) and having two hundred (200) or more holders, at least two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities shall have at least two (2) independent Directors or such independent Directors shall constitute at least twenty percent (20%) of the members of such Board.

The two nominated independent Directors of the Company are Mr. Oscar J. Hilado and Mr. Roberto R. Romulo, 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), and Philippine British Assurance Co. Inc. (Nov. 2011 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 91, 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:

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.

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).

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.

(c) 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.

(d) Ownership Structure and Parent Company
The registrant has no parent company.

(e) Family Relationship
Andres Soriano III and Eduardo J. Soriano are brothers. There are no other family relationships known to the Company.

(f) Executive Officers and Significant Employees
There are no significant employees.

(g) 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.

(h) 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.

Item 6: Compensation of Directors and Executive Officers

(a) As approved in 2004, Directors are paid a per diem of ₱20,000.00 per meeting attended and are given directors bonus representing no more than 1% of previous year's net income. Similarly, annual bonus, of no more than 3% of the preceding year's net income as well as salary increase of Executive Officers are approved by the Compensation Committee and the Board of Directors.

Name	Principal Position	Compensation		
		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		₱ 63,776,791	₱ 64,552,201	₱ 65,465,117
Benefits		2,127,602	2,003,939	2,003,939
Bonus*		41,440,000	57,665,000	131,750,000
Sub-Total Top Executive		107,344,393	124,221,140	199,219,056
Other Directors		14,122,857	15,602,857	15,927,857
Total		₱ 121,467,250	₱ 139,823,997	₱ 215,146,913

* 2017 and 2018 include a non-recurring bonus to a key officer in relation to the sale of one of the Company's investments.

(b) 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.

(c) Warrants and Options Outstanding
There are no warrants or options granted to the Directors, Chief Executive Officer, and other named Executive Officers.

Item 7: Independent Public Accountants

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) Audit and Audit Related Fees
The Company paid to its external auditors the following fees in the past two years:

Year	Audit Fees
2017	₱ **1,362,800**
2016	₱ 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.

(f) Tax Consultancy and Other Fees
No tax consultancy fees were paid by the Company to SGV for the year 2017.

Item 8: Compensation Plan

There are no matters or actions to be taken up in the meeting with respect to any compensation plan pursuant to with cash or noncash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or issuance of securities other than exchange

There are no matters or actions to be taken up with respect to authorization or issuance of securities

Item 10: Modification or Exchange of Securities

There is no matter or action to be taken up for the modification or exchange of any class of the Company securities.

Item 11: Modification or Exchange of Securities

The audited financial statements (in the annual report) as of December 31, 2017, Management's Discussion and analysis, market price of shares and dividends and other data related to the Companies' financial information are attached hereto as "Annex B".

Item 12: Mergers, Consolidation, Acquisitions, and Similar Matters

There is no action to be taken with respect to any transactions involving mergers, consolidation, acquisitions or similar matters.

Item 13: Acquisition or Disposition of Property

There is no action to be taken with respect to acquisition or disposition of any property.

Item 14: Restatement of Accounts

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) which became effective beginning January 1, 2017. The Group will also adopt several amended and revised standards and interpretations in 2018 and 2019.

D. OTHER MATTERS

Item 15: Action with Respect to Reports

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

(a) 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.

(b) 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.

(c) 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.

Item 16: Matters Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of the security holders.

Item 17: Amendment of Charter, By-laws or Other Documents

There is no action to be taken with respect to any amendment of the Company's Articles of Incorporation or By-laws.

Item 18: Other Proposed Actions

Other than the six agenda items included in the notice of meeting of the annual meeting of the stockholders there is no other actions to be taken with respect to any matter not specifically referred therein.

Item 19: Voting Procedures

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

(b) 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, no balloting will be 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.

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

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. **Board Meeting held on February 22, 2017**

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 (₱0.20) per share on the common stock of the Corporation, payable on April 4, 2017, to all stockholders of record as of the close of business on March 9, 2017, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

1.4 RESOLVED, that the appropriation of unrestricted retained earnings of the Company for the years 2011 and 2013 amounting to ₱2.1 billion and ₱900 million, respectively, or a total amount of ₱3.0 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. **Board Meeting held on April 19, 2017**

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:

(a) 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;

(b) 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;

(c) 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;

(d) 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;

(e) 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;

(f) To execute and file the requisite tax returns, and to pay the taxes on account thereof;

(g) 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

(h) 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 (₱20,000,000.00) 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 ₱179.5 million.

4. **<u>Board Meeting held on October 4, 2017</u>**

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$36.85 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. **<u>Board Meeting held on November 29, 2017</u>**

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 above-mentioned case and/ or all other related cases that have been filed or will be filed in connection with the above-mentioned 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. **Board Meeting held on February 22, 2018**

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 (₱0.20) per share
Special Cash Dividend – Thirty Centavos (₱0.30) 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 ₱1.6 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.

ANNEX B
MANAGEMENT REPORT

I. Brief Description of General Nature and Scope of the Business and Management's Discussion and Analysis of Operation

Description of General Nature and Scope of the 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 ₱22.5 billion. For the year ended 31st December 2017, consolidated revenues of the Company amounted to ₱11.7 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
Timbercrest Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	USA
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
Dividend income		**270,687**		218,798		209,652
Interest income		**98,879**		95,312		83,315
Equity in net earnings - net of valuation allowance		**(497,099)**		(72,774)		153,954
Sale of real estate		**–**		633,912		293,036
		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

		Years Ended December 31				
		2017		2016		2015
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

Year 2017 Financial Performance

In 2017, consolidated revenue reached ₱11.7 billion, marginally lower than the ₱11.9 billion registered in 2016. The Company's consolidated net income improved slightly from ₱1.5 billion to ₱1.6 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 ₱1.1 billion gain from divesting Cirrus Medical Staffing, Inc., a US healthcare staffing business, and Enderun Colleges, Inc., which generated an additional ₱83.8 million of income.

Gains from the sale of marketable securities fell to ₱334.7 million, from ₱551.2 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 ₱270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Interest income of ₱98.9 million was slightly higher than last year. Consolidated foreign exchange losses amounted to ₱17.9 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 ₱13.17 to ₱15.21 as of December 31, 2017.

Anscor declared a dividend of ₱0.50 per share, ₱0.20 per share regular and ₱0.30 per share special, to shareholders of record as of March 26, 2018.

The Soriano Group Operating Companies

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 ₱6.6 billion to ₱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 ₱750.6 million to ₱543.7 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 ₱250.0 million and ₱62.4 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 ₱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 ₱50.42 to US$1 against ₱47.47 in 2016.

Amanpulo's gross operating profit amounted to ₱335.8 million, 39% higher than last year, and net profit rose 171%, from ₱36.7 million to ₱99.5 million in 2017. The consolidated net income of Seven Seas amounted to ₱100.5 million, lower than the consolidated profit of ₱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, ₱17.0 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.

AGP INTERNATIONAL HOLDINGS LTD. (AG&P)

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 equity to fund future projects.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

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 ₱114.9 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 ₱35.2 million in 2017, a 58% increase from 2016. On December 22, 2017, ATRAM redeemed ₱12.3 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 ₱450.0 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 ₱1,260 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 ₱1.1 billion in 2016 to ₱1.2 billion in 2017. Net income before revaluation gains increased by 10%, from ₱843.0 million in 2016 to ₱931.0 million in 2017.

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

STARTUP AND PRIVATE EQUITY 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 US$3.0 million in **Y-mAbs 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 US$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 I LP**, 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):

	Years 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**
1. Book Value Per Share (Note 1)	**15.21**	13.17	10.99
2. Current Ratio (Note 2)	**3.71**	3.01	2.13
3. Interest Rate Coverage Ratio (Note 3)	**21.68**	20.39	15.35
4. Debt to Equity Ratio (Note 4)	**0.19**	0.29	0.41
5. Asset to Equity Ratio (Note 5)	**1.22**	1.33	1.44
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/ Total Revenues)	**13.53%**	12.81%	12.10%
7. 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 Holders of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holders of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holders of the Parent

<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.

<u>Outlook and Investment Strategy</u>

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.

- AFC Agribusiness has 97.4 hectares of land in Guimaras.

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 Medical Staffing, 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 ₱2.4 billion offset by cash used in financing activities of ₱1.6 billion.

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

Also, the net cash effect of deconsolidating Cirrus decreases cash and cash equivalents amounting to ₱50.7 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 ₱97.1 million. The market value of foreign denominated investment in bonds, stocks and funds increased by ₱10.7 million vs. December 31, 2016 values. Unrealized foreign exchange loss related to foreign denominated investments amounted to ₱21.4 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 ₱431.8 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 ₱1.2 billion. There was an increase in market value of AFS investments of about ₱1.1 billion, net addition of ₱116.4 million and cumulative translation adjustment of ₱103.4 million partially offset by the set-up of impairment provision of ₱125.6 million.

Investments and Advances
The decrease in investments and advances was mainly due to impairment provision of ₱500.0 million, reduced by the additional investment of ₱116.5 million in ATRAM Investment Management and unrealized foreign exchange gain related to foreign equity investment amounting to ₱9.4 million.

Additional advances for the year amounted ₱79.5 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 ₱252.1 million while net additions to property and equipment amounted to ₱228.7 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries. Net increase amounted to ₱19.5 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 ₱61.2 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 ₱11.7 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 ₱1.1 billion from January 1 to December 31, 2017.

Remeasurement on Retirement Benefits
The increase in 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 ₱11.7 billion was lower by ₱202.2 million from last year's revenue of ₱11.9 billion. The Group realized a ₱1.1 billion gain from divesting Cirrus Medical Staffing, Inc. Gains from the sale of AFS investments fell to ₱433.2 million, from ₱555.6 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 ₱270.7 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 ₱635.5 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 ₱125.6 million. Valuation allowances in 2016 were higher at ₱590.9 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 ₱11.9 billion was higher by ₱1.2 billion from last year revenue of ₱10.7 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by ₱736.0 million or 26.8%, offset by lower investment gains by ₱146.2 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 ₱633.9 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 ₱590.9 million. Valuation allowances in 2015 were higher at ₱805.2 million.

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

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

<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 ₱10.6 billion was 148.9% higher than last year's revenue of ₱4.3 billion. This was mainly due to the inclusion of PDP's ₱6.1 billion revenues for the period January 1 to December 31, 2015 which was zero for the year 2014. Higher revenues were registered by the Resort and staffing subsidiaries.

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

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

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

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

Other Income (Charges) – netw
Change in the account was mainly due to valuation allowances of ₱802.8 million recorded by the parent company for its investments.

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

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

Changes in Accounting Policies
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 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
<u>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 non-monetary 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.

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, 2017, 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 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 are included in pages 13 to 117 while the Statement of Management Responsibility is on page 12 of the 2017 Annual Report in the same CD containing this Information Statement.

II. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

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.

III. External Audit Fees

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.

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.

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.

Audit and Audit Related Fees

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

Year	Audit Fees
2017	**₱ 1,362,800**
2016	₱ 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.

IV. Market Price of Shares and Dividends

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	7.68

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, the Board of Directors approved the declaration of ₱0.50 per share (₱0.30 per share special and ₱0.20 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*	1,282,826,746	51.313
2.	PCD Nominee Corp. (Non-Filipino)	455,825,819	18.233
3.	A-Z Asia Limited Philippines, Inc.	169,646,329	6.786
4.	PCD Nominee Corp. (Filipino)	130,593,578	5.244
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.	15,518,7w82	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

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

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

V. 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.

SGV
Building a better working world

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

Phone: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, and have issued our report thereon dated February 22, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 6621309, January 9, 2018, Makati City

February 22, 2018

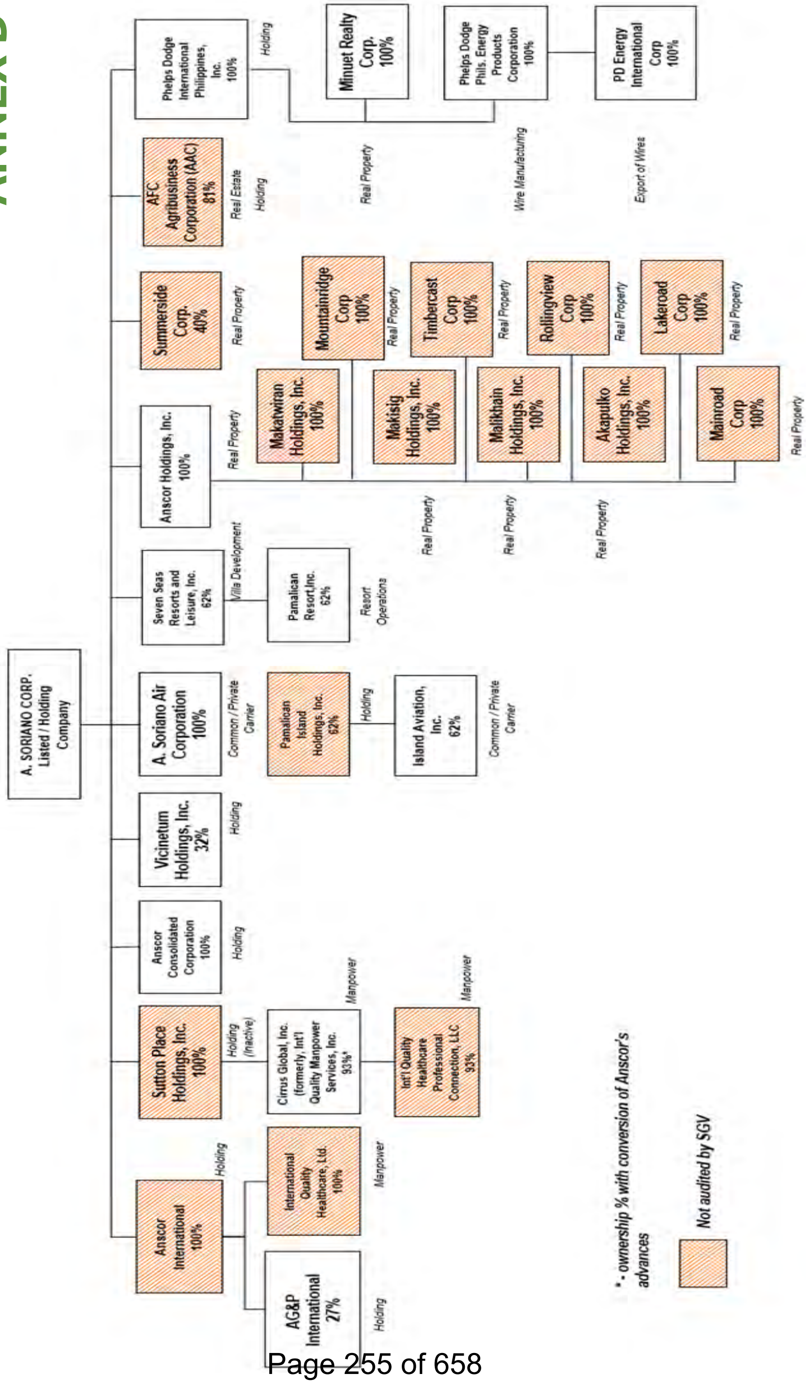
A. SORIANO CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

ANNEX C

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 D


A. SORIANO CORP. Listed / Holding Company
Anscor International 100%
Holding
AG&P International 27%
Holding
International Quality Healthcare, Ltd. 100%
Manpower
Sutton Place Holdings, Inc. 100%
Holding (Inactive)
Cirrus Global, Inc. (formerly, Int'l Quality Manpower Services, Inc. 93%*
Manpower
Int'l Quality Healthcare Professional Connection, LLC 93%
Manpower
Anscor Consolidated Corporation 100%
Holding
Vicinetum Holdings, Inc. 32%
Holding
A. Soriano Air Corporation 100%
Common / Private Carrier
Pamalican Island Holdings, Inc. 62%
Holding
Island Aviation, Inc. 62%
Common / Private Carrier
Seven Seas Resorts and Leisure, Inc. 62%
Villa Development
Pamalican Resort,Inc. 62%
Resort Operations
Anscor Holdings, Inc. 100%
Real Property
Makatwiran Holdings, Inc. 100%
Mountainridge Corp 100%
Real Property
Makisig Holdings, Inc. 100%
Real Property
Timbercast Corp 100%
Real Property
Malikhain Holdings, Inc. 100%
Real Property
Rollingview Corp 100%
Real Property
Akapulko Holdings, Inc. 100%
Real Property
Lakeroad Corp 100%
Real Property
Mainroad Corp 100%
Real Property
Summerside Corp. 40%
Real Property
AFC Agribusiness Corporation (AAC) 81%
Real Estate Holding
Phelps Dodge International Philippines, Inc. 100%
Holding
Minuet Realty Corp. 100%
Real Property
Phelps Dodge Phils. Energy Products Corporation 100%
Wire Manufacturing
PD Energy International Corp 100%
Export of Wires
* - ownership % with conversion of Anscor's advances
Not audited by SGV

ANNEX E

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 F

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.

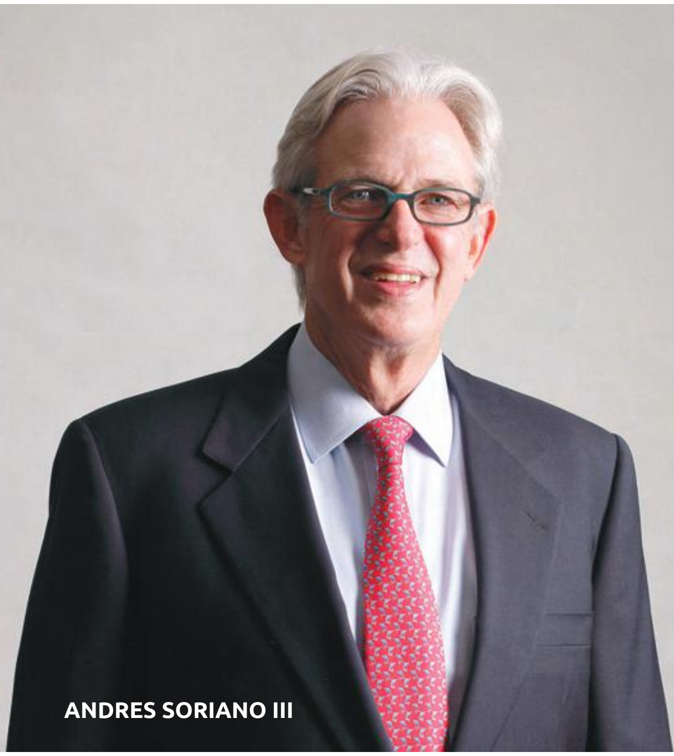
A. SORIANO CORPORATION
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Ext.,
1209 Makati City, Philippines

A. SORIANO CORPORATION
ANNUAL REPORT
2017

CONTENTS

CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2017.



ANDRES SORIANO III

CHAIRMAN'S MESSAGE

THE ECONOMIC PICTURE

The Philippine's Gross Domestic Product grew by 6.7% in 2017, slightly lower than the 6.9% growth experienced in 2016. Government spending dropped from 8.4% to 7.3%, in part due to the delayed passage of the Tax Reform for Acceleration and Inclusion (TRAIN) Law which took effect on January 1, 2018. TRAIN will reduce fixed income earners' personal income tax and impose higher taxes on selected goods, which is expected to generate an additional ₱130.0 billion in revenue to fuel the governments' priority infrastructure program.

Private consumption tapered off from 7.0% to 5.8%, and capital formation decreased from 23.7% to 9.0%. These were offset by the rise in exports from 10.7% to 19.2%, and a decline in imports from 18.5% to 17.6%, supported by the depreciation of the Philippine peso against the US dollar.

The manufacturing segment grew from 7.0% to 8.6%, as the demand for Philippine-manufactured goods from European and Southeast Asian economies accelerated.

The current Administration is expected to ramp up public investment in infrastructure, education and healthcare. The resolution of the security threat in Mindanao and the improved relations with neighboring countries are both expected to encourage more foreign direct investments and support the continued strength of the Philippine tourism industry in 2018.

The Administration's Build, Build, Build Program is expected to ease traffic congestion through better mass transport and new road networks. This will further reduce the country's unemployment situation, positively impact the construction business and help achieve more inclusive economic growth.

Against this positive economic backdrop, the Company has invested in companies and sectors that are expected to benefit, namely, infrastructure, education, food, retail, and property.

2017 FINANCIAL PERFORMANCE

In 2017, consolidated revenue reached ₱11.7 billion, marginally lower than the ₱11.9 billion registered in 2016. The Company's consolidated net income improved slightly from ₱1.5 billion to ₱1.6 billion and was driven by gains from the sale of operating investments and income from the sale of publicly traded equities, dividends and interest.

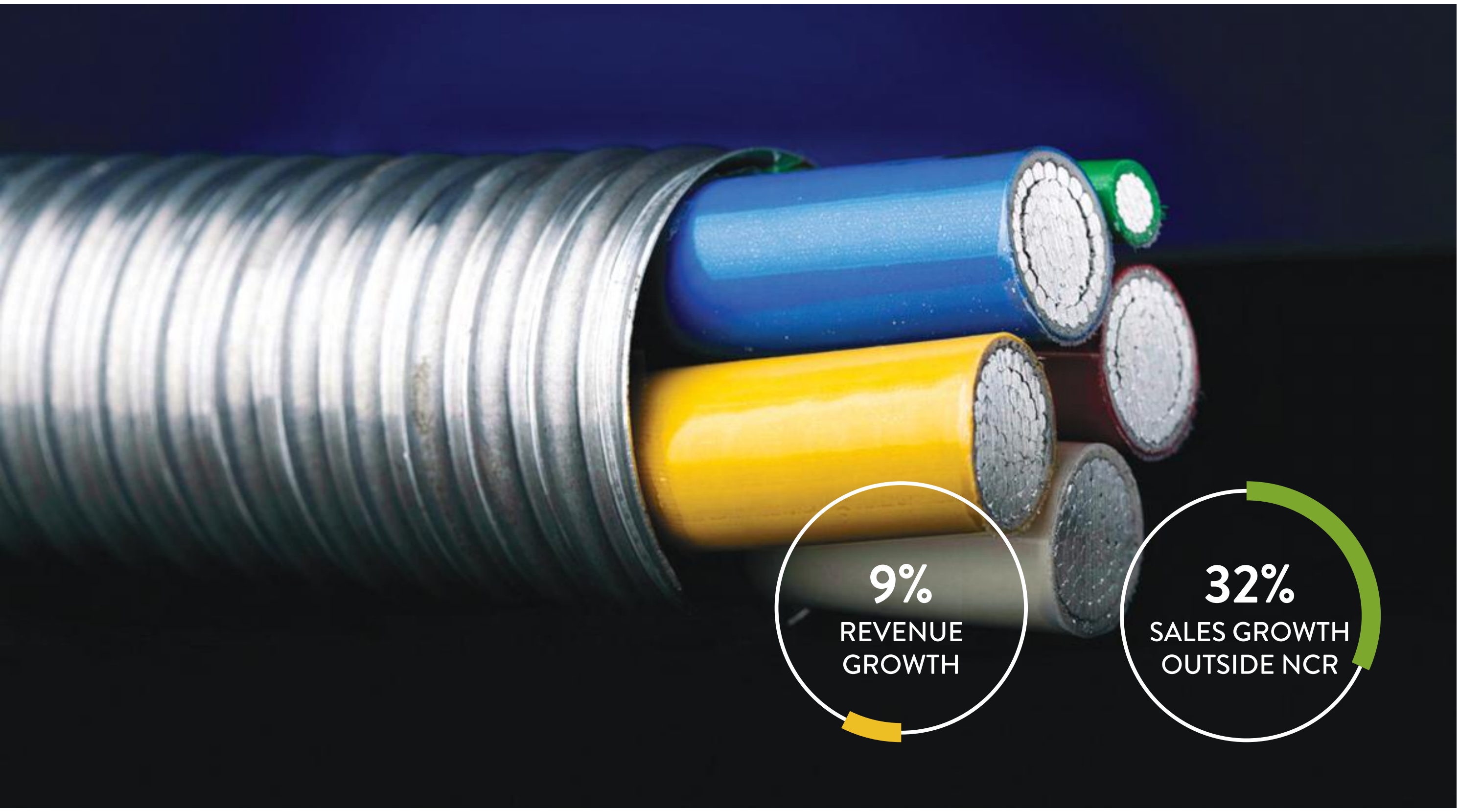
Your Company realized a ₱1.1 billion gain from divesting Cirrus Medical Staffing, Inc. (CMSI), our US healthcare staffing business, and Enderun Colleges, Inc., which generated an additional ₱83.8 million of income.

Gains from the sale of marketable securities fell to ₱334.7 million, from ₱551.2 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 ₱270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Interest income of ₱98.9 million was slightly higher than last year. Consolidated foreign exchange losses amounted to ₱17.9 million in 2017.

The Parent Company paid down US$11.25 million of debt, leaving a loan balance of US$20.25 million at the end of 2017. The book value per share of your Company increased from ₱13.17 to ₱15.21 as of December 31, 2017.

At its meeting held on February 22, 2018, your Board of Directors declared a dividend of ₱0.50 per share, ₱0.20 per share regular and ₱0.30 per share special, to shareholders of record as of March 26, 2018.



The Soriano Group Operating Companies

OPERATIONS REPORT

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 ₱6.6 billion to ₱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 ₱750.6 million to ₱543.7 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 ₱250.0 million and ₱62.4 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 ₱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 ₱50.42 to US$1 against ₱47.47 in 2016.

Amanpulo's gross operating profit amounted to ₱335.8 million, 39% higher than last year, and net profit rose 171%, from ₱36.7 million to ₱99.5 million in 2017. The consolidated net income of Seven Seas amounted to ₱100.5 million, lower than the consolidated profit of ₱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, ₱17.0 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.

AGP INTERNATIONAL HOLDINGS LTD. (AG&P)

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 equity to fund future projects.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

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 ₱114.9 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 ₱35.2 million in 2017, a 58% increase from 2016. On December 22, 2017, ATRAM redeemed ₱12.3 million worth of non-voting preferred stock held by Anscor.

The Asset, a financial publication which recognizes Asian companies that excel 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 ₱450.0 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 ₱1,260 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 ₱1.1 billion in 2016 to ₱1.2 billion in 2017. Net income before revaluation gains increased by 10%, from ₱843.0 million in 2016 to ₱931.0 million in 2017.

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

STARTUP AND PRIVATE EQUITY VENTURES

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

Anscor, through a wholly-owned subsidiary, has invested US$3.0 million in **Y-mAbs 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 US$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 I LP,** 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.

CORPORATE SOCIAL RESPONSIBILITY

Highlights of the Andres Soriano Foundation (ASF) activities follow:

Small Island Sustainable Development Program

EDUCATION

ASF, with the help of its principal, donors, partners, and friends and in partnership with the Department of Education and the Manamoc National High School in Cuyo, Palawan, embarked on a ₱15.0 million project to establish a laboratory

The newly-constructed Senior High School Tech-Voc Laboratory Facility on Tourism-related Services in Manamoc Island, Cuyo, Palawan attests to ASF's commitment to enhance the quality of education in the small islands.

for tourism-related services. These facilities included technical training rooms for Cookery, Bread & Pastries, Food & Beverage, Housekeeping and Back of the House's Linen, Laundry and Storage.

The initiative will provide access to education and employment opportunities for senior high school graduates in the community who cannot afford university.

The newly-constructed Senior High School Tech-Voc Laboratory Facility on Tourism-related Services in Manamoc Island, Cuyo, Palawan attests to ASF's commitment to enhance the quality of education in the small islands.

HEALTH

This year's medical mission composed of 21 doctors, of various specialties, doing volunteer work, rendered 3,483 medical services to nearly 3,000 patients.

ASF continues to support the supplementary feeding program in conjunction with the village health stations and elementary schools in communities with which it is involved. There were 1,196 households that participated in organic backyard vegetable production to support the nutrition program in the islands.

Believing that "no woman should die giving life," ASF in partnership with the Maternity Foundation from Copenhagen, Denmark and the Department of Health of the Southwestern Tagalog Region of Mindoro Occidental and Oriental, Marinduque, Romblon and Palawan, launched a training program for 59 midwives and barangay health workers in the island municipalities of Cuyo, Agutaya and Magsaysay on the use of Safe Delivery Application. This is a mobile health tool for Basic Emergency Obstetric and Newborn Care. This training has helped the participants successfully attend to emergency birth delivery cases. It has achieved its goals and in the near future will be replicated in other areas of the archipelago.

LIVELIHOOD ENTERPRISE

In 2017, sales of local products by Manamoc Livelihood Association to Amanpulo Resort amounted to ₱5.0 million and ₱629,000 of net profit.

A partnership with the Office of the Vice President, under its Angat Buhay Program, helps promote the islands' handcrafted products in Manila, alongside access to livelihood funds from private donors for seed capital of pandan and buri weavers.

Seaweed farming and buying generated ₱1.4 million in gross sales, benefitting 83 growers and enabling the organization to provide additional seedlings to 79 members.

ENVIRONMENT

Local community partners in six island coastal villages sustained the regeneration of mangrove forest patches by planting 8,400 mangrove seedlings and protected 11 established marine sanctuaries.

Increased awareness on the value of coastal protection led to vigilance against illegal activities in the coastal waters of Cuyo, Agutaya and Magsaysay Islands. A total of 1,184 residents, from eight coastal and island villages, participated in The Annual Coastal Clean-up and collected over a hundred kilos of plastic waste, along an 18.5-kilometer coastline.

Cancer Care Program

As a fund conduit of pharmaceutical companies supporting oncology fellowship, ASF now has five company partners compared to last year's three. It also received ₱1.5 million in 2017 for the allowances of seven medical doctors specializing in medical oncology.

ASF supports the maintenance medication of 52 breast cancer patients through an annual donation of ₱200,000 to the Cancer Institute of the Philippine General Hospital (PGH).

THE YEAR AHEAD

With the National Economic and Development Authority's target band for growth in 2018 projected at 7% to 8%, your Company 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 with promising business propositions, whether they be startup or private equity ventures.

ACKNOWLEDGMENT

To our valued shareholders, thank you for your continued trust and confidence. To our employees, we appreciate your dedication and loyalty. To all our stakeholders, we look forward to your continued support.

FINANCIAL HIGHLIGHTS

(In Million Pesos Except for Ratios and Per Share Data)

CONSOLIDATED FOR THE YEAR	2017	2016	2015
REVENUES	**11,684.1**	11,886.3	10,655.3
Sale of goods	**7,189.0**	6,608.2	6,102.3
Services	**3,080.9**	3,483.5	2,747.5
Gain on sale of available-for-sale investments and investments in subsidiaries	**1,531.0**	898.8	1,091.2
Dividend income	**270.7**	218.8	209.7
Interest income	**98.9**	95.3	83.3
Gain (loss) on increase (decrease) in market values of fair value through profit or loss investments	**10.7**	20.6	(25.7)
Equity in net earnings of associates - net of valuation alowance	**(497.1)**	(72.8)	154.0
Sale of real estate	**–**	633.9	293.0
NET INCOME*	**1,580.8**	1,522.8	1,282.8
EARNINGS PER SHARE**	**1.29**	1.24	1.03

CONSOLIDATED AT YEAR-END	2017	2016	2015
Total Assets	**22,526.2**	21,527.5	19,552.4
Equity Attributable to Equity Holders of the Parent	**18,512.5**	16,234.7	13,556.7
Investment Portfolio	**13,525.5**	13,196.6	11,859.4
Current Ratio	**3.71**	3.00	2.13
Debt to Equity Ratio	**0.19**	0.29	0.41
Book Value Per Share***	**15.21**	13.17	10.99

* *Attributable to equity holders of the parent.*
** *Based on weighted average number of shares of 1,224.2 million in 2017, 1,232.7 million in 2016 and 1,244.6 million in 2015.*
*** *Based on outstanding shares of 1,217.2 million, 1,232.6 million and 1,233.7 million as of December 31, 2017, 2016 and 2015, respectively.*

FIVE-YEAR REVIEW

Consolidated Financial Information

(In Million Pesos Except Per Share Data)

YEAR	NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2017	**1,580.8**	**18,512.5**	**1,224.2**	**1.29**	**15.21**
2016	1,522.8	16,234.7	1,232.7	1.24	13.17
2015	1,282.8	13,556.7	1,244.6	1.03	10.99
2014	2,041.1	14,835.2	1,254.0	1.63	11.94
2013	1,358.0	13,637.9	1,261.0	1.08	10.82

YEAR	GROSS ***REVENUE	TOTAL ***ASSETS	INVESTMENT PORTFOLIO
2017	**11,684.1**	**22,526.2**	**13,525.5**
2016	11,886.3	21,527.5	13,196.6
2015	10,655.3	19,552.4	11,859.4
2014	3,834.8	21,426.4	14,310.0
2013	3,525.1	17,326.5	14,721.3

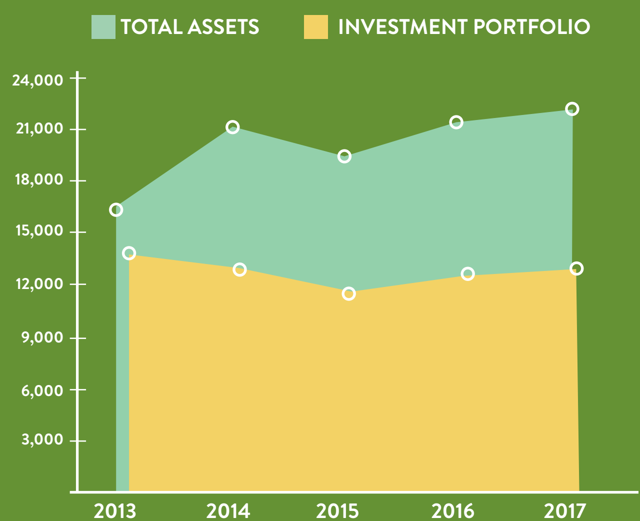
* *Ratio of net income attributable to equity holders of the parent to weighted average number of shares outstanding during the year.*

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

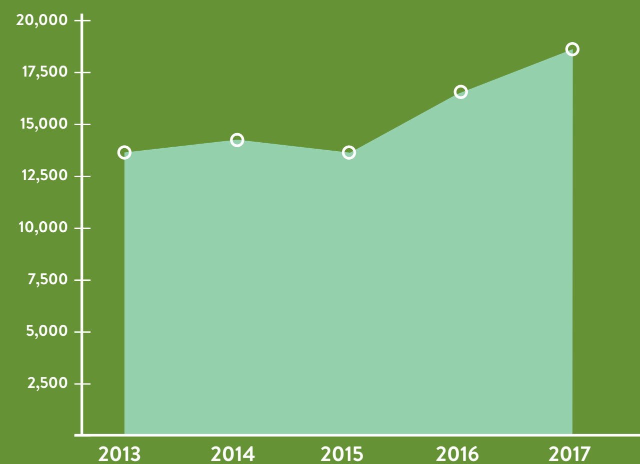
*** *2015, 2016 and 2017 included PDP Group's gross revenues and total assets.*

(In Million Pesos)

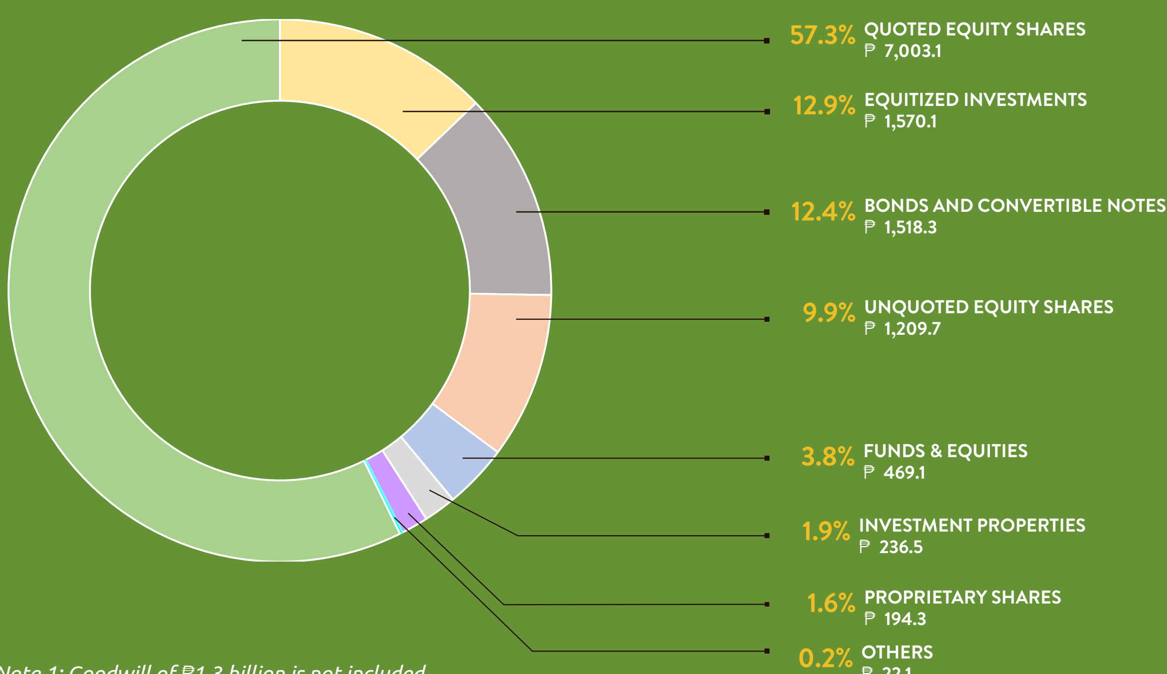
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS (Note 1) DECEMBER 31, 2017



Note 1: Goodwill of ₱1.3 billion is not included.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ANDRES SORIANO III
Chairman, President and
Chief Executive Officer

ERNEST K. CUYEGKENG
Executive Vice President and
Chief Financial Officer

Signed this 22nd day of February 2018

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 22nd day of February 2018, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	EC3327271	Jan. 31, 2015 to Jan. 30, 2020/Manila

Doc. No. 221;
Page No. 46;
Book No. XVII;
Series of 2018.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-155; Roll No. 20642
Commission expires on 12-31-18
PTR No.6618426; 1-10-18; Makati City
IBP No. 033319; 02-14-18; Pasig City
TIN: 100-364-501

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

Phone: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Extension,
Makati City

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The goodwill disclosed in Note 6 to the consolidated financial statements amounted to ₱1,302.3 million as at December 31, 2017, which is considered significant to the consolidated financial statements. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimations to assumptions and judgment involved. In assessing the recoverability of the Group's goodwill from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc., management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

Audit Response

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

Recoverability of Investment in an Associate

In 2017, the Group identified indicators of possible impairment in its investment in an associate and, as required in PFRS, assessed the recoverability of its investment. In assessing the recoverable amount, management estimated the expected cash flows from the operations of the associate. Management also applied judgment in selecting the valuation model to be used and assumptions such as revenue growth rate, discount rate and long-term growth rate. The investment in the associate, as disclosed in Note 13 to the consolidated financial statements, amounted to ₱1,448.7 million as at December 31, 2017, which is material to the consolidated financial statements.

Audit Response

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

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

The valuation of unquoted AFS equity investments is a key audit matter because the carrying value amounting to ₱1,209.7 million as at December 31, 2017 is material to the consolidated financial statements. In valuing the Group's unquoted AFS equity investments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and used assumptions in estimating future cash flows from its equity investments considering the information available to the Group. The Group's disclosures about unquoted AFS investments are included in Note 12 to the consolidated financial statements.

Audit Response

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

Provisions and Contingencies

The Group is subject to examinations by tax authorities which may result to taxation issues due to different interpretation of tax laws, rulings and jurisprudence. Evaluating the completeness and proper valuation of provisions for tax exposures was significant to our audit because it requires application of significant estimates and judgment by management. There is also inherent uncertainty over the outcome of these tax examinations. Any change on these assumptions and estimates could have a material impact on the Group's consolidated financial statements. The disclosures on the Group's contingencies are included in Note 32 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, the involvement of our internal specialist in reviewing management's tax position and in evaluating the potential tax exposures. We also discussed with management the status of the examinations by tax authorities. In addition, we obtained correspondences with the relevant tax authorities and the opinion of the Group's third party tax consultants.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 6621309, January 9, 2018, Makati City

February 22, 2018

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 (Note 10)		**1,783,448,898**		2,167,501,893
Inventories (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				
Notes payable (Note 17)	₱	**–**	₱	91,948,200
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
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)

Consolidated Balance Sheets

	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.

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 (Notes 7 and 30)	3,080,921,191	3,483,481,253	2,747,521,027
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 - net of valuation allowance (Note 13)	(497,099,065)	(72,773,871)	153,953,858
Sale of real estate (Note 30)	–	633,912,337	293,036,415
	10,142,382,456	10,966,883,754	9,589,747,330
INVESTMENT GAINS (LOSSES)			
Gain on disposal of subsidiaries (Notes 7 and 15)	1,097,861,615	343,158,019	–
Gain on sale of 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 (Notes 7 and 21)	(1,965,474,430)	(2,312,578,606)	(1,809,102,441)
Operating expenses (Notes 7 and 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 (Notes 7 and 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 from continuing operations	₱ 1,669,364,961	₱ 1,505,374,572	₱ 1,254,397,443
Net income (loss) from discontinued operations (Note 7)	(47,637,151)	184,916,112	108,864,366
	₱ 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 (Notes 7 and 26)	₱ 1.29	₱ 1.24	₱ 1.03

See accompanying Notes to Consolidated Financial Statements.

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 loss (gain) 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.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent (Note 20)					
	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)
BALANCES AT DECEMBER 31, 2014	₱ 2,500,000,000	₱ 1,605,613,566	(₱ 26,356,543)	₱ 10,702,438	₱ 3,238,819,432	₱ 40,843,333
Total comprehensive income (loss) for the year	–	–	–	177,214,950	(2,552,565,192)	(5,850,748)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱125.8 million (Note 20)	–	–	–	–	–	–
Shares repurchased during the year (Note 20)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 30)	–	–	–	–	–	–
Appropriation during the year (Note 20)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2015	2,500,000,000	1,605,613,566	(26,356,543)	187,917,388	686,254,240	34,992,585
Total comprehensive income for the year	–	–	–	192,326,863	1,213,522,484	2,616,080
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 20)	–	–	–	–	–	–
Shares repurchased during the year (Note 20)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 30)	–	–	–	–	–	–
Appropriation during the year (Note 20)	–	–	–	–	–	–
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
Total comprehensive income (loss) for the year	–	–	–	(84,443,527)	1,103,495,221	20,385,957
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱255.6 million (Note 20)	–	–	–	–	–	–
Shares repurchased during the year (Note 20)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 30)	–	–	–	–	–	–
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**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent (Note 20)						
		Retained Earnings		Cost of Shares Held by a Subsidiary		Noncontrolling	
	Subtotal*	Appropriated	Unappropriated		Total	Interests	Total
BALANCES AT DECEMBER 31, 2014	₱ 7,369,622,226	₱ 4,600,000,000	₱ 5,029,204,349	(₱ 2,163,648,770)	₱ 14,835,177,805	₱ 374,261,424	₱ 15,209,439,229
Total comprehensive income (loss) for the year	(2,381,200,990)	–	1,282,782,660	–	(1,098,418,330)	80,479,149	(1,017,939,181)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱125.8 million (Note 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	4,988,421,236	6,300,000,000	4,487,779,074	(2,219,505,295)	13,556,695,015	378,225,614	13,934,920,629
Total comprehensive income for the year	1,408,465,427	–	1,522,796,705	–	2,931,262,132	167,493,979	3,098,756,111
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 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	6,396,886,663	7,150,000,000	4,914,057,124	(2,226,272,975)	16,234,670,812	512,829,051	16,747,499,863
Total comprehensive income (loss) for the year	1,039,437,651	–	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)
BALANCES AT DECEMBER 31, 2017	**₱ 7,436,324,314**	**₱ 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.
** Subtotal for the numbers of the six columns appearing on page 22.*

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/disposal of:			
Subsidiaries (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)
Equity in net earnings - net of valuation allowance (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 (Notes 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
Prepayments and other current assets	**101,852,799**	(12,998,254)	(55,563,541)
Property development in progress	**–**	172,634,831	(19,169,531)
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	**867,768**	(1,516,340)	(19,597,403)
Net cash generated from operations	**1,379,916,259**	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	**1,333,997,590**	975,098,738	1,552,887,113

(Forward)

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 12)	**₱ 2,255,676,587**	₱ 1,607,860,897	₱ 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)	**(2,087,820,428)**	(1,019,866,822)	(3,427,132,659)
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 shares	**12,301,027**	–	–
Advances to affiliates (Note 13)	**(77,440,000)**	(386,108)	(2,655,735)
Net cash flows from (used in) investing activities	**1,063,797,948**	780,569,381	(385,078,449)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable (Note 17)	**(91,948,200)**	(554,000,000)	(2,072,225,829)
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)
Company shares purchased by a subsidiary (Note 20)	**(98,041,760)**	(6,767,680)	(55,856,525)
Redemption of preferred shares	**(29,081,587)**	(47,926)	(75,540,000)
Proceeds from availment of:			
Notes payable (Note 17)	**–**	554,000,000	557,000,000
Long-term debt (Note 19)	**–**	–	1,500,000,000
Net cash flows used in financing activities	**(1,547,260,047)**	(1,130,306,089)	(780,729,437)
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.

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

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 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
<u>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.

  The Group's assessment of the impact of PFRS 9 is ongoing. The assessment below 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 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.

- 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.

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:

	Nature of Business	Percentage of Ownership 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
Anscor Holdings, Inc. (AHI, formerly Goldenhall Corporation, Note 30)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Lakeroad Corporation	Real Estate Holding	**100**	100	100
Mainroad Corporation	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 Corporation	Real Estate Holding	**100**	100	100
Rollingview Corporation	Real Estate Holding	**100**	100	100
Timbercrest Corporation	Real Estate Holding	**100**	100	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
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

(Forward)

	Nature of Business	Percentage of Ownership 2017	2016	2015
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
Uptown Kamputhaw Holdings, Inc. (formerly Anscor Property Holdings, Inc., APHI, Note 15)	Real Estate Holding	**–**	–	100

** As at December 31, 2017 and 2016, the Group has 100% beneficial ownership over Summerside.*

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**	441.2
Noncurrent liabilities	**154.2**	76.4
Equity	**1,007.3**	1,112.5
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.

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 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 - net of valuation allowance" 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:

	Nature of Business	Percentage of Ownership 2017	2016	2015
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.

Disposal Group and Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated 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 above.

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

Classification of financial instruments

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

As 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 "Valuation allowances" 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.

Derecognition of Financial Assets and Financial Liabilities
Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

The Group assesses at each 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 "Recovery of valuation allowances" account under "Other income (charges) - net" in the consolidated statement of income.

Assets carried at cost

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

AFS investments

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

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

“Day 1” Difference

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

Offsetting Financial Instruments

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

Revenue

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

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

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

Sale of goods

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

Sale of real estate

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

Revenue on villa development project

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

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

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

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

Revenue from temporary staffing is recognized when services are rendered.

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

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

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

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

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

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

Costs and Expenses
Costs and expenses are recognized in 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 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.

Cost of real estate sold

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

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 statement of income 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 within 12 months after the reporting period.

Inventories

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

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

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

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

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

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

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

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

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

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

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

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

** or lease term, whichever is shorter*

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

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

Other Noncurrent Assets and Other Noncurrent Liabilities

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

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings

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

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

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

Cost of Shares Held by a Subsidiary

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

Leases

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

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

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

The Group as Lessee

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

The Group as Lessor

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

Borrowing Costs

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

Pension Benefits

The Group has non-contributory defined benefit retirement plans.

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

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

Defined benefit costs comprise the following:

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

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

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share

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

Determination of absence of significant influence over Enderun
Prior to 2017, 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 was classified as 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.

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. In valuing the Group's unquoted AFS equity instruments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (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 expected cash flows are estimated from the operations of the associates 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 rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates 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. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱105.8 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 the 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.

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 - net of valuation allowance.

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							
		Philippines						
	US *Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	**Other Operations	Total	Eliminations	Consolidated
As at and for the year ended December 31, 2017								
Revenues, excluding interest income	₱ 2,028,265	₱ 831,590	₱ 874,279	₱ 7,188,995	₱ 616,609	₱ 11,539,738	(₱ 1,496,234)	₱ 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 - net of valuation allowance	–	–	–	–	(497,099)	(497,099)	–	(497,099)
Net income (loss)	(47,637)	1,072,980	100,523	543,667	704,833	2,374,366	(752,638)	1,621,728
Total assets	–	18,928,517	1,526,424	3,824,469	12,972,567	37,251,977	(14,725,746)	22,526,231
Investments and advances	–	7,069,111	60,706	–	2,349,032	9,478,849	(7,827,009)	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	5,685,890	(2,130,829)	3,555,061
Depreciation and amortization	2,328	8,838	66,299	75,188	41,484	194,137	57,952	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	(293,809)	1,333,998
Investing activities	(3,637)	1,168,955	(111,939)	(145,832)	(57,715)	849,832	213,966	1,063,798
Financing activities	(161,618)	(1,055,032)	(186,114)	(511,429)	9,577	(1,904,616)	357,356	(1,547,260)

* *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 - net of valuation allowance.*

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As at 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 - net of valuation allowance	–	–	–	–	(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	213,064	780,569
Financing activities	(312,284)	(918,317)	(10,869)	(421,429)	(56,688)	(1,719,587)	589,281	(1,130,306)

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

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As at 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 - net of valuation allowance	–	–	–	–	153,954	153,954	–	153,954
Net income	108,864	2,759,487	166,854	574,356	364,558	3,974,119	(2,610,857)	1,363,262
Total assets	1,041,115	16,382,877	1,799,068	3,488,824	3,745,714	26,457,598	(6,905,218)	19,552,380
Investments and advances	–	8,132,207	74,091	–	2,253,691	10,459,989	(8,635,729)	1,824,260
Property and equipment	4,743	29,727	837,454	573,253	95,388	1,540,565	1,161,312	2,701,877
Total liabilities	129,598	2,252,921	1,067,586	1,616,524	4,695,279	9,761,908	(4,144,448)	5,617,460
Depreciation and amortization	4,914	7,369	97,984	70,967	29,435	210,669	26,099	236,768
Impairment loss	–	802,759	4,266	14,940	271,826	1,093,791	(252,668)	841,123
Cash flows from (used in):								
Operating activities	927,193	1,435,669	430,416	773,270	48,197	3,614,745	(2,061,858)	1,552,887
Investing activities	(38,281)	786,261	(64,949)	(101,420)	(5,368)	576,243	(961,318)	(385,075)
Financing activities	(909,597)	(2,125,914)	(280,715)	(492,814)	(21,151)	(3,830,191)	3,049,462	(780,729)

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

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	₱ 1,202,945,277	₱ 1,202,945,277
SSRLI	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 ₱115.1 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 1.0% to 5.0% in 2017 and 5.0% in 2016. 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.

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.

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 3.0% to 9.0% and 5.0% to 13.0% growth rate in revenue for its cash flow projection in 2017 and 2016, respectively.

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 projection 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 4.0%, and the difference between the discount rate and growth rate.

Growth rate
Cirrus assumed a growth rate of 9.0% in 2016. Growth rate assumption for the five-year cash flow projection is supported by the different initiatives of Cirrus which started in 2010.

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

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 disposal of 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 are presented below (in thousands):

	Period Ended October 19, 2017	Years Ended December 31, 2016	Years Ended December 31, 2015
Revenues	₱ 2,028,267	₱ 2,580,163	₱ 1,850,730
Cost of services	(1,569,503)	(2,026,219)	(1,468,253)
Gross profit	458,764	553,944	382,477
Expenses	(511,474)	(260,304)	(206,730)
Income (loss) before income tax	(52,710)	293,640	175,747
Provision for (benefit from) income tax	(5,073)	108,724	66,883
Net income (loss) from a deconsolidated subsidiary	(₱ 47,637)	₱ 184,916	₱ 108,864
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 are as follows (in thousands):

	Period Ended October 19, 2017	Years Ended December 31, 2016	Years Ended December 31, 2015
Operating	₱ 206,562	₱ 304,444	₱ 927,193
Investing	(3,637)	(1,441)	(38,281)
Financing	(161,618)	(312,284)	(909,597)
Net cash inflow (outflow)	₱ 41,307	(₱ 9,281)	(₱ 20,685)

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.

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 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 Value 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 gain 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 Value as at December 31		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2016	2015	in 2016
Bonds	(₱ 22.2)	(₱ 43.8)	₱ 21.6
Funds and equities	(0.4)	(1.7)	1.3
Others	2.0	2.0	–
Total	(20.6)	(43.5)	22.9
Add realized loss on sale of FVPL investments			(2.3)
Net gain on increase in market value of FVPL investments			₱ 20.6

	Unrealized Valuation Gains (Losses) in Market Value as at December 31		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2015	2014	in 2015
Bonds	(₱ 43.8)	(₱ 22.7)	(₱ 21.1)
Funds and equities	(1.7)	0.3	(2.0)
Others	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.

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

2017	Trade	Interest and Others	Total
At January 1	₱ 63,025,260	₱ 2,424,253	₱ 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	₱ 57,974,044	₱ 2,424,253	₱ 60,398,297

2016	Trade	Interest and Others	Total
At January 1	₱ 70,073,188	₱ 2,424,253	₱ 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	₱ 63,025,260	₱ 2,424,253	₱ 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
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 million 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 investments	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. 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 and ₱68.5 million in 2015.

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. Madaket, Inc. (Madaket)

In May 2017, AI invested US$1.0 million (₱49.7 million) in equity shares of 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.

d. Element Data, Inc. (Element Data)

In June 2017, AI invested US$1.0 million (₱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 (₱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.

e. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, AI entered into an equity 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 in Sierra Madre amounted to US$0.2 million (₱12.2 million).

f. Geothermal Project

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

g. 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 (see Note 29).

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 had no significant influence over Enderun (see Note 4).

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

In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in 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.

Below is the roll forward of the unrealized valuation gains 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 of valuation allowances	₱ 1,570,106,166	₱ 1,941,304,352
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2017 and 2016	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. The Company made an advance payment of ₱77.4 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 in 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.

AGPI is looking to raise equity to fund projects as of February 22, 2018. The Group recognized a valuation allowance of ₱500.0 million, net of AI's share in the earnings of AGPI in 2017.

The following are the significant financial information of 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 gave the Company a total of 10% interest in the entity.

On July 6, 2017, the Company invested additional ₱91.3 million equivalent to 15,000,000 common shares, resulting to an increase in ownership from 10% to 20%, which allowed 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, AI provided impairment loss on its investment in BM amounting to ₱62.2 million presented under "Equity in net earnings - net of valuation allowance" in the consolidated statement of income. In 2015, AI recognized impairment loss on its AFS investment in BM amounting to ₱57.2 million (see Note 23).

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 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, AI provided impairment loss on its investment in Prople amounting to ₱10.6 million presented under "Equity in net earnings - net of valuation allowance" in the consolidated statements of income. In 2015, AI recognized impairment loss on its AFS investment in Prople amounting to ₱197.9 million (see Note 23).

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

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 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 as at December 31, 2017 and 2016, respectively, which include the related liability for the fund asset recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

17. Notes Payable

Notes payable represent unsecured, 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 at 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 to 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 ₱3,075.0 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	₱ 441,446,000
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	14,417,593
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 and bonus to a key officer related to the sale of Cirrus, among others.

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 AGPI. 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 (see Note 12).

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.

On December 19, 2016, the pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor was released by the bank.

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 (₱47.0 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 ₱2.5 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:

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

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing, manpower services, education and manufacturing, whether based in the Philippines or offshore. Appropriations in the years 2011 to 2014, which were due for expirations, were extended for additional three years in 2017 and 2016.

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

- Balance of gross deferred income tax assets amounting to ₱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 ₱3.0 billion and ₱2.7 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
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
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 1.0% 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 3.0% 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)
Write-off of noncurrent assets	(105,662,888)	–	–
Deal-related expenses	(99,183,573)	–	–
Sale of real property	19,162,207	–	–
Service fee	9,910,777	–	59,050,000
Rental income	6,709,294	7,542,788	3,771,910
Recovery of valuation allowances (Notes 10, 11 and 12)	–	16,509,318	–
Others	31,105,632	60,029,550	24,701,343
	(₱ 287,350,531)	(₱ 534,484,598)	(₱ 753,600,117)

Before the sale of Cirrus on October 19, 2017, Cirrus 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% in 2017 and from 2.13% to 9.13% in 2016 and have maturities from May 23, 2018 to December 7, 2026 in 2017 and from September 4, 2016 to October 24, 2037 in 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 8.50% 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)	582,395	(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	**–**	(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 asset (liability):

2017	Net Retirement Plan Asset	Net Retirement Liability	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 asset (liability)	₱ 93,706,684	(₱ 9,184,074)	₱ 84,522,610

2016	Net Retirement Plan Asset	Net Retirement Liability	Total
Present value of defined benefit obligation	(₱ 346,015,862)	(₱ 41,890,705)	(₱ 387,906,567)
Fair value of plan assets	410,514,332	38,093,651	448,607,983
Surplus (deficit)	64,498,470	(3,797,054)	60,701,416
Effect of the asset ceiling	(4,721,919)	–	(4,721,919)
Transfer to retirement plan asset	414,715	(414,715)	–
Retirement plan asset (liability)	₱ 60,191,266	(₱ 4,211,769)	₱ 55,979,497

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
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	Change in Rates		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	Change in Rates		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	Change in Rates		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 increases	+2.80% to +11.70%	₱	2,910,634
	-2.70% to -10.30%		(2,615,653)

2016	Change in Rates		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 increases	+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:

Year	**2017**
2018	₱ **175,842,889**
2019	**96,288,530**
2020	**20,884,755**
2021	**3,590,974**
2022	**8,188,879**
2023 to 2027	**123,157,721**

25. Income Taxes

The provision for (benefit from) 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)

* *Pertains to Cirrus which was sold on October 19, 2017.*
(1) *Pertain to PDP, SSRLI, ASAC, AHI and Sutton.*
(2) *Pertain to Anscor, Anscorcon and AI.*

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2017	2016
Allowances for:		
Impairment losses	₱ 2,153,181,275	₱ 1,527,630,711
Doubtful accounts	537,467,964	569,379,331
Inventory losses	–	3,877,877
NOLCO	311,590,136	269,860,049
Accrued pension benefits and others	6,409,266	16,256,984
Provision for probable losses and lawsuits	5,721,158	5,721,158
Unrealized foreign exchange losses	2,364,044	11,473,695
MCIT	7,066,379	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	₱ 561,741,275	₱ 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	(48,101,133)	(165,363,218)	(322,201,613)
Income tax at 5% GIT	(76,130,168)	(94,108,256)	(72,567,282)
Movement in unrecognized deferred income tax assets	186,081,397	66,327,305	262,898,352
Dividend income not subject to income tax	(76,936,509)	(65,639,343)	(62,895,499)
Expired NOLCO and MCIT	33,575,544	38,513,380	21,800,602
Nontaxable income	(7,203,562)	(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	(870,281)	–	(46,186,157)
Nontaxable gain on sale of a foreign subsidiary	(329,358,484)	–	–
Others	11,616,995	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		Addition		Applied		Expired		Balance
2014	2015-2017	₱	107,543,065	₱	–	₱	–	(₱	107,543,065)	₱	–
2015	2016-2018		159,571,086		–		–		–		159,571,086
2016	2017-2019		8,996,020		–		–		–		8,996,020
2017	2018-2020		–		143,023,030		–		–		143,023,030
		₱	276,110,171	₱	143,023,030	₱	–	(₱	107,543,065)	₱	311,590,136

MCIT

Period of Recognition	Availment period		Amount		Addition		Applied		Expired		Balance
2014	2015-2017	₱	1,312,624	₱	–	₱	–	(₱	1,312,624)	₱	–
2015	2016-2018		657,686		–		–		–		657,686
2016	2017-2019		4,577,596		–		–		–		4,577,596
2017	2018-2020		–		1,831,097		–		–		1,831,097
		₱	6,547,906	₱	1,831,097	₱	–	(₱	1,312,624)	₱	7,066,379

Tax Reform for Acceleration and Inclusion Act (TRAIN) Law

RA No.10963 or the TRAIN Law was signed into law on December 19, 2017 and took effect on January 1, 2018, making the new tax law enacted as at the reporting date. Although the TRAIN Law 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.

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)	₱ **172.3**	₱ 165.6	₱ 154.7
Retirement benefits (Note 24)	**7.7**	8.1	7.6
Total	₱ **180.0**	₱ 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, Corporate Development 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	₱ 1,634,711,899	₱ 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
	4,772,304,129	4,066,491,399
Loans and receivables:		
Trade	1,574,198,574	1,938,454,863
Interest receivable	22,046,675	21,259,285
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
Notes receivable	–	32,000,000
Others**	5,577,573	6,839,512
	1,631,514,367	2,027,489,952
	₱ 6,403,818,496	₱ 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:

2017	Financial Assets that are Neither Past Due nor Impaired — High Grade	Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱ 1,634,711,899	₱ –	₱ –	₱ –	₱ 1,634,711,899
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	–	877,859,446	696,339,128	57,974,044	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*	–	2,074,877	3,502,696	1,833,158	7,410,731
	₱ 3,304,404,444	₱ 2,399,572,228	₱ 699,841,824	₱ 201,304,336	₱ 6,605,122,832

** Excluding advances to suppliers amounting to ₱0.3 million.*

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	–	1,430,210,918	508,243,945	63,025,260	2,001,480,123
Notes receivables	–	32,000,000	–	–	32,000,000
Interest receivable	–	21,259,285	–	591,095	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.*

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	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	₱ 1,636,218,697	₱ –	₱ –	₱ –	₱ 1,636,218,697
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
	₱ 4,849,949,657	₱ 152,605,273	₱ 790,959,411	₱ 611,810,953	₱ 6,405,325,294
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 nonfinancial assets amounting to ₱151.9 million.*

** *Excluding nonfinancial liabilities amounting to ₱33.5 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 nonfinancial assets amounting to ₱140.0 million.*
*** *Excluding nonfinancial 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 Investment	**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 and Equity 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 ₱403.1 million with an average quantity of about 1,284 metric tons in 2017 and ₱326.4 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

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.

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 nonfinancial 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 nonfinancial 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	**752,935,232**	**752,935,232**	1,097,757,074	1,097,757,074
	9,103,674,920	**9,103,674,920**	8,056,009,553	8,056,009,553
	₱ **9,959,755,079**	₱ **9,959,755,079**	₱ 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	752,935,232	–	–	752,935,232
	9,103,674,920	8,308,739,688	42,000,000	752,935,232
	₱ 9,959,755,079	₱ 9,164,819,847	₱ 42,000,000	₱ 752,935,232

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 ₱110.0 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 January 1, 2016	₱ 345	₱ 516	₱ 861
Purchases	–	237	237
As at December 31, 2016	345	753	1,098
Sales	(345)	–	(345)
As at December 31, 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 (see Note 21).

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, CGI entered into an agreement to sublease a portion of its leased office space to Cirrus Global Services, Inc. (CGSI) 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 (see Note 23).

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 for 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 (see Note 21).

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 (see Note 16).

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. IAI 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. IAI 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.

   IAI is still operating at NAIA Complex as of February 22, 2018.

SSRLI and PRI

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

   On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a location at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable (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 (see Note 6).

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. Effective January 1, 2016, the monthly fee increased from US$4,000 to US$15,000.

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 Amanresorts Services Limited (ASL) 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., a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Aman brand 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. PRI entered into an agreement with IAI wherein the latter will provide regular air transport service. 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 three 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.

   On February 15, 2018, both parties entered into a renewal agreement which shall have a duration of not less than three years unless otherwise pre-terminated.

f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years ended 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. On January 3, 2017, the monthly fee was reduced to ₱0.3 million, exclusive of VAT, from January to March 31, 2017.

   On May 31, 2017, AHI and SSRLI entered into a management contract in which SSRLI shall pay a fixed monthly fee amounting to ₱0.3 million, exclusive of VAT, effective June 1, 2017 until September 30, 2017. The monthly fee was reduced to ₱0.2 million, exclusive of VAT, for October 2017.

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 decreased 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 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.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱41.5 million and ₱28.2 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, 2017, 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 Cirrus 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 ₱1,250.0 million (₱0.50 per share, of which ₱0.20 per share is regular dividend and ₱0.30 per share is special dividend) to stockholders of record as of March 26, 2018, payable on April 18, 2018. Net cash dividend payable amounts to ₱608.5 million which excludes dividend for shares held by a subsidiary.

BOARD OF DIRECTORS

ANDRES SORIANO III
Chairman of the Board/
Chief Executive Officer/President

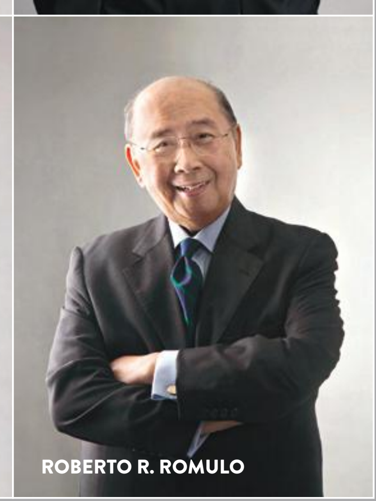
EDUARDO J. SORIANO
Vice Chairman/
Treasurer

ERNEST K. CUYEGKENG

JOHN L. GOKONGWEI, JR.

OSCAR J. HILADO

JOSE C. IBAZETA



ROBERTO R. ROMULO

OFFICERS & CORPORATE DIRECTORY

OFFICERS

ERNEST K. CUYEGKENG
Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER
Senior Vice President & Corporate Development Officer

NARCISA M. VILLAFLOR
Vice President & Comptroller

LORENZO D. LASCO*
Vice President

JOSHUA L. CASTRO
Vice President & Assistant Corporate Secretary

SALOME M. BUHION
Assistant Vice President

MA. VICTORIA L. CRUZ
Assistant Vice President

LEMIA L. SIMBULAN**
Executive Assistant

LORNA P. KAPUNAN
Corporate Secretary

* *Assigned to AHI.*
** *Assigned to ASF.*

SUBSIDIARIES

A. Soriano Air Corporation
AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor Holdings, Inc. (AHI)
Anscor International, Inc.
Cirrus Global, Inc.
IQ Healthcare Professional Connection, LLC
Island Aviation, Inc.
Minuet Realty Corporation
Pamalican Island Holdings, Inc.
Pamalican Resort, Inc.
PD Energy International Corporation
Phelps Dodge International Philippines, Inc.
Phelps Dodge Philippines Energy Products Corporation
Seven Seas Resorts and Leisure, Inc.
Sutton Place Holdings, Inc.

AFFILIATES

AGP International Holdings Ltd.
DirectWithHotels, Inc.
Element Data
KSA Realty Corporation
Madaket Healthcare
Prople Limited
Sierra Madre Philippines I LP
Vicinetum Holdings, Inc.
Y-mAbs Therapeutics, Inc.

CORPORATE DIRECTORY

Corporate Social Responsibility Arm
The Andres Soriano Foundation, Inc. (ASF)
Andrews Avenue, Pasay City
(632) 831-99-41 • (632) 851-55-07
www.asorianofdn.org

Address
7th Floor Pacific Star Building,
Makati Ave. cor Gil Puyat Ave. Ext.,
1209 Makati City, Philippines

Post Office Box
1304 Makati Central Post Office
1252 Makati City, Philippines

Websites
www.anscor.com.ph
www.sorianogroup.com.ph

Telephone Numbers
(632) 819-02-51 to 60

Fax Number
(632) 811-50-68

External Auditors
SyCip Gorres Velayo & Co.

Stock Transfer Agent
Stock Transfer Service Inc.
34th Floor, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

Legal Counsels
Kapunan Garcia & Castillo
Picazo Buyco Tan Fider & Santos
Tan Acut Lopez & Pison

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

				P	W	2				

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	Third Wednesday of April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	nancievillaflor1029@gmail.com	819-0251	N/A

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2017

2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

………
………

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

Yes [x] No [ ]

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

Philippine Stock Exchange	Common

SECForm 17Q
May 15, 2017

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

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

Please see SEC FORM 17-Q - Table of Contents

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

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

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer: A. SORIANO CORPORATION

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

Date: May 15, 2017

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: May 15, 2017

SECForm17-Q
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SEC FORM 17 – Q

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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	March 31 2017	December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents	**1,897,130**	2,403,740
Fair value through profit and loss (FVPL) investments	**768,490**	769,680
Receivables	**2,186,419**	2,167,502
Inventories	**852,797**	683,917
Property development in progress	**3,177**	3,177
Available-for-sale (AFS) investments - current	**63,202**	47,729
Prepayments	**48,597**	18,677
Other current assets	**148,773**	151,401
Total Current Assets	**5,968,585**	6,245,822
Noncurrent Assets		
AFS investments - net of current portion	**9,593,130**	8,313,497
Investments and advances	**1,927,465**	1,943,574
Goodwill	**1,896,102**	1,889,496
Property and equipment	**2,662,866**	2,648,731
Investment properties	**236,097**	234,878
Retirement plan asset	**59,304**	60,191
Deferred income tax assets	**62,846**	62,305
Other noncurrent assets	**160,571**	129,007
Total Noncurrent Assets	**16,598,380**	15,281,679
TOTAL ASSETS	**22,566,965**	21,527,501

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**3,313**	91,948
Accounts payable and accrued expenses	**993,120**	969,799
Dividends payable	**486,276**	242,208
Income tax payable	**183,766**	141,745
Current portion of long-term debt	**633,709**	629,350
Total Current Liabilities	**2,300,183**	2,075,050

	March 31 2017	December 31 2016
Noncurrent Liabilities		
Long-term debt - net of current portion	**1,655,764**	1,916,231
Deferred revenues	**8,684**	8,602
Deferred income tax liabilities - net	**614,751**	600,160
Retirement benefits payable	**5,187**	4,212
Other noncurrent liabilities	**187,921**	175,746
Total Noncurrent Liabilities	**2,472,306**	2,704,951
Total Liabilities	**4,772,489**	4,780,001
Equity Attributable to Equity Holders of the Parent		
Capital stock - 1 par value	**2,500,000**	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614
Cumulative translation adjustment	**411,494**	380,244
Equity reserve on acquisition of noncontrolling interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**2,972,665**	1,899,777
Remeasurement on retirement benefits	**33,324**	37,609
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**4,951,181**	4,914,057
Cost of shares held by a subsidiary	**(2,304,451)**	(2,226,273)
	17,293,470	16,234,671
Noncontrolling interests	**501,006**	512,829
Total Equity	**17,794,476**	16,747,500
TOTAL LIABILITIES AND EQUITY	**22,566,965**	21,527,501

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2017	2016
REVENUES		
Sales	**1,743,386**	1,565,111
Services	**947,453**	837,266
Dividend income	**77,231**	37,822
Interest income	**22,861**	20,726
Equity in net losses	**(33,831)**	-
	2,757,099	2,460,924
INVESTMENT GAINS		
Gain on sale of AFS investments	**82,642**	178,956
Gain on increase in market values of FVPL investments	**11,979**	6,423
	94,621	185,380
	2,851,720	2,646,304
Cost of goods sold/services rendered	**(2,019,425)**	(1,697,719)
Operating expenses	**(407,095)**	(334,444)
Interest expense	**(25,282)**	(27,217)
Foreign exchange gain	**5,757**	4,978
Valuation allowances – net	**(275)**	(25,158)
Other income – net	**153**	697
	(2,446,167)	(2,078,863)
INCOME BEFORE INCOME TAX	**405,553**	567,441
PROVISION FOR INCOME TAX – net	**97,925**	108,432
NET INCOME	**307,627**	459,008
Net Income Attributable to:		
Equity holders of the parent	**281,485**	435,370
Minority interests	**26,143**	23,638
	307,627	459,008
Earnings Per Share		
Basic/diluted, for net income attributable to equity holders of the Parent	**0.23**	0.35

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended March 31	
	2017	2016
NET INCOME	**307,627**	459,008
OTHER COMPREHENSIVE INCOME		
Unrealized valuation gain on AFS investments	**1,161,486**	681,278
Realized gains on sale of AFS investments, net of impairment losses	**(82,642)**	(178,956)
Unrealized gain (loss) on remeasurement of retirement benefits	**(6,121)**	2,434
Cumulative translation adjustment	**31,249**	(67,293)
Income tax effect	**(4,120)**	2,671
OTHER COMPREHENSIVE INCOME	**1,099,853**	440,135
TOTAL COMPREHENSIVE INCOME	**1,407,481**	899,143

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	Attributable to Equity Holders of the Parent						Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on AFS Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2015	2,500,000	1,605,614	(26,357)	686,254	34,993	187,917	6,300,000	4,487,779	(2,219,505)	378,226	13,934,921
Comprehensive income	-	-	-	505,724	1,704	(67,293)	-	435,370	-	23,638	899,143
Cash dividends - net	-	-	-	-	-	-	-	(246,519)	-	-	(246,519)
Appropriation of retained earnings	-	-	-	-	-	-	100,000	(100,000)	-	-	-
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(6,768)	-	(6,768)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	17	17
Balance at 03/31/2016	2,500,000	1,605,614	(26,357)	1,191,978	36,696	120,624	6,400,000	4,576,631	(2,226,273)	401,881	14,580,794
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	1,899,777	37,609	380,244	7,150,000	4,914,057	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	1,072,888	(4,284)	31,249	-	281,485	-	26,143	1,407,481
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(78,178)	-	(78,178)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	(37,966)	(37,966)
Balance at 03/31/2017	**2,500,000**	**1,605,614**	**(26,357)**	**2,972,665**	**33,324**	**411,494**	**7,150,000**	**4,951,181**	**(2,304,451)**	**501,006**	**17,794,476**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**405,553**	567,441
Adjustment for:		
Depreciation and amortization	**64,513**	57,533
Equity in net losses	**33,831**	-
Interest expense	**25,282**	27,217
Gain on sale of AFS investments	**(82,642)**	(178,956)
Dividend income	**(77,231)**	(37,822)
Interest income	**(22,861)**	(20,726)
Gain on increase in market values of FVPL investments	**(11,979)**	(6,423)
Foreign exchange gain - net	**(3,133)**	(11,751)
Valuation allowances- net	**275**	25,158
Gain on sale of property and equipment	**-**	(650)
Operating income before working capital changes	**331,609**	421,020
Decrease (increase) in:		
FVPL investments	**21,063**	(93,154)
Receivables	**(19,193)**	(147,263)
Inventories	**(168,880)**	69,558
Property development in progress	**-**	(37,184)
Increase (decrease) in:		
Accounts payable and accrued expenses	**23,322**	94,359
Retirement benefits payable	**(4,258)**	3,921
Customer' deposit for property development	**-**	(978)
Net cash generated from operations	**183,663**	310,280
Dividend received	**77,231**	37,822
Interest received	**22,578**	20,792
Interest paid	**(25,282)**	(27,217)
Income taxes paid	**(47,945)**	(617)
Net cash flows from operating activities	**210,245**	341,059

	Periods Ended March 31	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
AFS investments	**397,716**	618,231
Property and equipment	**-**	650
Addition to:		
AFS investments	**(517,235)**	(279,408)
Investment properties	**(1,219)**	-
Property and equipment	**(78,648)**	(34,130)
Decrease (increase) in:		
Prepayments and other assets	**(58,856)**	(35,762)
Other noncurrent liabilities	**12,175**	12,395
Advances to affiliates	**3,608**	(6,577)
Net cash flows from (used in) investing activities	**(242,459)**	275,400
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Notes payable	**(88,635)**	(26,198)
Long-term debt	**(270,392)**	(159,297)
Dividends	**(294)**	-
Company shares purchased by a subsidiary	**(78,178)**	(6,768)
Increase (decrease) in:		
Deferred revenue	**82**	(205)
Noncontrolling interests	**(37,966)**	17
Net cash flows used in financing activities	**(475,383)**	(192,450)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**988**	(5,858)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(506,610)**	418,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,403,740**	1,774,319
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,897,130**	2,192,470

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	March 31	December 31
	2017	2016
ASSETS		
Cash and Cash Equivalents	**542,676**	836,979
Fair Value through Profit and Loss (FVPL) Investments	**768,490**	769,680
Available for Sale (AFS) Investments	**9,313,961**	8,037,467
Receivables - net	**126,993**	160,642
Investments and Advances- net	**7,928,260**	7,872,221
Property and Equipment - net	**22,418**	23,922
Retirement Plan Asset	**51,022**	51,022
Other Assets	**1,197**	844
TOTAL ASSETS	**18,755,018**	17,752,778
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**39,411**	42,063
Dividends Payable	**741,914**	241,914
Long-term Debt	**1,355,238**	1,566,180
Deferred Income Tax Liabilities - net	**70,140**	60,130
Total Liabilities	**2,206,703**	1,910,288
Equity		
Capital Stock - 1 Par Value	**2,500,000**	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800
Unrealized Valuation Gains on AFS Investments	**2,936,405**	1,861,617
Remeasurement on Retirement Benefits	**28,451**	28,451
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**2,343,660**	2,712,623
Total Equity	**16,548,315**	15,842,490
TOTAL LIABILITIES AND EQUITY	**18,755,018**	17,752,778

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME
(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2017	2016
REVENUES		
Dividend income	**99,435**	37,677
Interest income	**22,311**	19,547
Management fees	**17,357**	21,992
	139,103	79,216
INVESTMENT GAINS		
Gains on increase in market values of FVPL investments	**11,979**	6,345
Gain on sale of AFS investments	**82,642**	180,042
	94,621	186,386
	233,724	265,602
Operating expenses	**(89,061)**	(81,287)
Foreign exchange gain	**4,931**	7,224
Interest expense	**(12,401)**	(13,824)
Other income – net	**63**	713
	(96,467)	(87,174)
INCOME BEFORE INCOME TAX	**137,257**	178,428
PROVISION FOR INCOME TAX - NET	**6,220**	7,011
NET INCOME	**131,037**	171,417
Earnings Per Share	**0.05**	0.07

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended March 31	
	2017	2016
NET INCOME	**131,037**	171,417
OTHER COMPREHENSIVE INCOME		
Unrealized Valuation Gain on AFS investments	**1,161,220**	687,773
Realized Gains on Sale of AFS investments, net of impairment losses	**(82,642)**	(180,042)
Income Tax Effect	**(3,790)**	(3,291)
OTHER COMPREHENSIVE INCOME	**1,074,788**	504,441
TOTAL COMPREHENSIVE INCOME	**1,205,825**	675,858

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2015	2,500,000	1,589,800	649,259	32,505	6,300,000	3,058,392	14,129,956
Comprehensive income	-	-	504,441	-	-	171,417	675,858
Appropriation of retained earnings	-	-	-	-	100,000	(100,000)	-
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 03/31/2016	2,500,000	1,589,800	1,153,700	32,505	6,400,000	2,629,810	14,305,814
Balance at 12/31/2016	2,500,000	1,589,800	1,861,617	28,451	7,150,000	2,712,623	15,842,490
Comprehensive income	-	-	1,074,788	-	-	131,037	1,205,825
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 03/31/2017	**2,500,000**	**1,589,800**	**2,936,405**	**28,451**	**7,150,000**	**2,343,660**	**16,548,315**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**137,257**	178,428
Adjustment for:		
Interest expense	**12,401**	13,824
Depreciation and amortization	**2,091**	1,842
Dividend income	**(99,435)**	(37,677)
Gain on sale of AFS investments	**(82,642)**	(180,042)
Interest income	**(22,311)**	(19,547)
Gain on increase in market values of FVPL investments	**(11,979)**	(6,345)
Unrealized foreign exchange gain	**(4,931)**	(7,224)
Gain on sale of property and equipment	**-**	(650)
Operating loss before working capital changes	**(69,549)**	(57,390)
Decrease (increase) in:		
Receivables	**33,649**	(20,332)
FVPL investments	**21,063**	(87,271)
Increase (decrease) in accounts payable and accrued expenses	**(2,652)**	14,676
Net cash used in operations	**(17,490)**	(150,317)
Dividend received	**99,435**	37,677
Interest received	**22,029**	19,716
Interest paid	**(12,401)**	(13,824)
Net cash flows from (used in) operating activities	**91,573**	(106,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
AFS investments	**397,716**	616,383
Property and equipment	**-**	650

(Forward)

	Periods Ended March 31	
	2017	2016
Additions to:		
AFS investments	**(501,549)**	(217,155)
Property and equipment	**(588)**	(885)
Increase in:		
Advances to affiliates	**(56,039)**	(38,919)
Other assets	**(353)**	(251)
Net cash flows from (used in) investing activities	**(160,813)**	359,823
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	**(225,225)**	(104,400)
Net cash flows from (used in) financing activities	**(225,225)**	(104,400)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**162**	(3,612)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(294,303)**	145,062
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**836,979**	443,236
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**542,676**	588,298

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations							After Eliminations
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	Eliminations	**Consolidated**
03/31/2017								
REVENUE	645,238	1,743,386	247,354	325,724	233,724	3,195,427	(343,707)	**2,851,720**
NET INCOME	44,991	141,771	55,636	251,690	131,037	625,124	(317,497)	**307,627**
TOTAL ASSETS	1,142,749	4,054,407	1,575,228	11,825,168	18,755,018	37,352,571	(14,785,607)	**22,566,965**
INVESTMENTS PORTFOLIO *	-	12,057	103,751	11,513,545	18,010,712	29,640,064	(17,051,681)	**12,588,383**
PROPERTY & EQUIPMENT	4,244	615,376	786,337	106,490	22,418	1,534,867	1,127,998	**2,662,866**
TOTAL LIABILITIES	578,078	1,533,285	506,573	3,793,619	2,206,703	8,618,258	(3,845,769)	**4,772,489**
DEPRECIATION AND AMORTIZATION	467	20,346	25,443	9,504	2,091	57,850	6,663	**64,513**

	Before Eliminations							After Eliminations
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations	. Holding Co (Parent)	Total	Eliminations	Consolidated
03/31/2016								
REVENUE	598,664	1,565,111	206,786	338,702	265,602	2,974,866	(328,562)	2,646,304
NET INCOME	56,750	176,738	37,650	274,740	171,417	717,296	(258,288)	459,008
TOTAL ASSETS	1,080,912	3,792,081	1,805,472	3,928,828	16,688,035	27,295,328	(6,921,414)	20,373,913
INVESTMENTS AND ADVANCES*	-	9,637	389,506	3,598,754	15,852,214	19,850,111	(9,172,879)	10,677,233
PROPERTY & EQUIPMENT	4,647	562,940	539,341	94,709	28,769	1,230,407	1,154,650	2,385,056
TOTAL LIABILITIES	131,833	1,743,045	1,036,331	3,689,525	2,382,221	8,982,955	(3,189,836)	5,793,119
DEPRECIATION AND AMORTIZATION	1,331	17,124	23,665	6,907	1,842	50,870	6,663	57,533

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

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

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

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

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

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

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Account Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

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

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

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the

asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

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

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments are not relevant to the Group.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

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

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

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.

There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

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

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

New Accounting Standards, Interpretations and Amendments to
<u>Existing Standards Effective Subsequent to December 31, 2016</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

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

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

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

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

Effective beginning on or after January 1, 2018

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

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

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

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

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

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

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases

with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at March 31, 2017 and December 31, 2016:

		Percentage of Ownership	
	Nature of Business	**2017**	2016
A. Soriano Air Corporation	Services/Rental	**100**	100
Pamalican Island Holdings, Inc.	Holding	**62**	62
Island Aviation, Inc.	Air Transport	**62**	62
Anscor Consolidated Corporation	Holding	**100**	100

		Percentage of Ownership	
	Nature of Business	**2017**	2016
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	**100**	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100
Lakeroad Corp.	Real Estate Holding	**100**	100
Mainroad Corp.	Real Estate Holding	**100**	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100
Mountainridge Corp.	Real Estate Holding	**100**	100
Rollingview Corp.	Real Estate Holding	**100**	100
Timbercrest Corp.	Real Estate Holding	**100**	100
Anscor International, Inc.	Holding	**100**	100
IQ Healthcare Investments Limited	Manpower Services	**100**	100
Cirrus Medical Staffing, Inc. (CMSI)	Manpower Services	**94**	94
Cirrus Holdings USA, LLC	Manpower Services	**94**	94
Cirrus Allied, LLC	Manpower Services	**94**	94
NurseTogether, LLC	Online Community Management	**94**	94
Phelps Dodge International Philippines, Inc.	Holding	100	100
Minuet Realty Corporation	Landholding	100	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	100	100
PD Energy International Corporation	Wire Manufacturing	100	100
Sutton Place Holdings, Inc.	Holding	100	100
Cirrus Global, Inc.	Manpower Services	93	93
IQ Healthcare Professional Connection, LLC	Manpower Services	93	93
AFC Agribusiness Corporation	Real Estate Holding	81	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	62	62
Pamalican Resort, Inc.	Resort Operations	62	62
Summerside Corp.	Investment Holdings	40	40

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

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

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

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

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

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

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

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

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

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

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

Current Versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

Investments in Associates

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

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

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

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

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

The following are the Group's associates:

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

Foreign Currency Translation

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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

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

<u>Financial Instruments</u>

Date of recognition

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

Initial recognition of financial instruments

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

Classification of financial instruments

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

As of March 31, 2017 and December 31, 2016, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

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

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

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

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of March 31, 2017 and December 31, 2016.

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

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

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

As of March 31, 2017 and December 31, 2016, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of March 31, 2017 and December 31, 2016.

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

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

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

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

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

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

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

As of March 31, 2017 and December 31, 2016, the Group's AFS investments include investment in equity securities and bond and convertible notes.

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the

consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Offsetting Financial Instruments

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

Revenue

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

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

Sale of goods

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

Sale of real estate

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

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services

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

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

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

Revenue from temporary staffing is recognized when services are rendered.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prepayments

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

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

Property and Equipment

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

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

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

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

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

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

** or lease term, whichever is shorter*

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

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

Property Development in Progress

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

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

Investment Properties

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

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

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

Impairment of Nonfinancial Assets

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

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

Goodwill

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

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

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

Customer's Deposit for Property Development

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

Other Noncurrent Assets and Other Noncurrent Liabilities

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

Capital Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions and Contingencies

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

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

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

Income Taxes

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the

Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized.

Valuation of unquoted equity investments

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

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

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

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

Impairment of AFS equity investments

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

Impairment of AFS debt investments

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

Estimation of allowance for inventory and impairment losses

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

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

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

Investments carried at equity method

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

Impairment of non-financial assets

(a) Property and equipment and investment properties

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

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

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

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱105.0 million since December 31, 2009 on its investment in Cirrus.

Recognition of deferred income tax assets

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

Determination of pension and other retirement benefits

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

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

Provisions and contingencies

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

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

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to P1,452.5 million based on provisional purchase price allocation. In 2015, the valuation was completed. Final goodwill amounted to P1,202.9 million. The total carrying value of goodwill amounted to P1,896.1 million and P1,889.5 million as of March 31, 2017 and December 31, 2016, respectively.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

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

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

Liquidity risk
Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

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

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

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

a. Interest rate risks

   Cash flow interest rate risk

   Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

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

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

c. Price risk of mutual funds

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

d. Foreign currency risks

   Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

e. Copper price risk

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

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

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

f. Operating and regulatory risk

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

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

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries and associate:

a. The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

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

   No changes were made in the objectives, policies or process for the period ended March 31, 2017 and December 31, 2016.

b. Cirrus' and CGI's capital management objectives are:
   - To ensure its ability to continue as a going concern; and
   - To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

   CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

6. Financial Instruments

Fair Values of Financial Assets and Liabilities

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

(In thousand pesos)	**March 31, 2017**		**December 31, 2016**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds and convertible note	**₱744,488**	**₱744,488**	₱744,616	₱744,616
Funds and equities	**3,033**	**3,033**	3,346	3,346
Others	**20,969**	**20,969**	21,719	21,719
	768,490	**768,490**	769,680	769,680
AFS investments:				
Quoted equity shares	**6,869,555**	**6,869,555**	5,671,746	5,671,746
Bonds and convertible note	**905,251**	**905,251**	847,825	847,825
Funds and equities	**275,996**	**275,996**	254,471	254,471
Proprietary shares	**184,210**	**184,210**	184,210	184,210
Unquoted shares	**1,097,645**	**1,097,645**	1,097,757	1,097,757
	9,332,657	**9,332,657**	8,056,010	8,056,010
	₱10,101,147	**₱10,101,147**	₱8,825,690	₱8,825,690

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As March 31, 2017 and December 31, 2016, AFS investments amounting to ₱323.7 million and ₱305.2 million, respectively, were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

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

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

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

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

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

As of March 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 and convertible note	**₱744,488**	**₱744,488**	**₱–**	**₱–**
Funds and equities	**3,033**	**3,033**	**–**	**–**
Others	**20,969**	**20,969**	**–**	**–**
	768,490	**768,490**	**–**	**–**
AFS investments:				
Quoted equity shares	**6,869,555**	**6,869,555**	**–**	**–**
Bonds and convertible note	**905,251**	**905,251**	**–**	**–**
Funds and equities	**275,996**	**275,996**	**–**	**–**
Proprietary shares	**184,210**	**184,210**	**–**	**–**
Unquoted shares	**1,097,645**	**–**	**–**	**1,097,645**
	9,332,657	**8,235,012**	**–**	**1,097,645**
	₱10,101,147	**₱9,003,502**	**₱–**	**₱1,097,645**

As of December 31, 2016:

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

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

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
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
Re–measurement recognized in OCI	–	–	–
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	237	237
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2016	345	753	1,098
Re–measurement recognized in OCI	–	–	–
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	-	-
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 March 2017	**₱345**	**₱753**	**₱1,098**

For the periods ended March 31, 2017 and December 31, 2016, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

There was no significant change in the Company's Consolidated Balance Sheet as of March 31, 2017 versus December 31, 2016.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P717.8 million offset by cash flows from operating activities of P210.2 million.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The slight decrease in the account can be attributed to the net disposal for the period of about P21.1 million offset by the increase of P12.0 million in market value of foreign denominated investment in bonds, stocks and funds and unrealized foreign exchange gain related to foreign denominated investments amounting to P7.9 million

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Receivables

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

Inventories

The increase was due to finished goods and work-in-process inventories of the wire manufacturing company, offset by spare parts and supplies utilized for three months by the aviation and resort subsidiaries.

Prepayments and other current assets

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

Available for Sale (AFS) Investments

Net increase in this account amounted to P1.3 billion. There was an increase in market value of AFS investments of about P1.2 billion and net addition to AFS investments of P125.1 million. Unrealized foreign exchange gain recognized for three months of 2017 amounted to P13.8 million.

Investments and Advances

The decrease in investments and advances was mainly due to equity losses from associate of P33.8 million offset by unrealized foreign exchange gain related to foreign equity investment amounting to P21.3 million. Advances collected from associates amounted to P23.6 million for the three months of 2017.

Goodwill

The goodwill from US-based staffing business increased by P6.6 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P64.5 million while net additions to property and equipment amounted to P78.6 million, mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Other Noncurrent Assets
Change in the account balance can be attributed to the increase in fund for villa operation as a source for future maintenance and capex requirements and additional refundable deposits made by aviation subsidiary in relation to the maintenance service plan for its aircrafts.

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

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

Dividends Payable
On February 22, 2017, the Parent Company approved the declaration of cash dividends to shareholders, which was paid on April 4, 2017.

Income Tax Payable
Movement in the account was attributable to higher tax provision of Cirrus for three months of 2017, partially offset by income taxes paid during the period by the Group.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to P270.4 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans when translated to the exchange rate as of March 31, 2017.

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

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

Cumulative Translation Adjustment (CTA)
This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by P31.2 million.

Unrealized valuation gains on AFS investments (equity portion)
Increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to P1.1 billion from January 1 to March 31, 2017.

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

8. Results of Operation

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

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

	Periods ended March 31	
	2017	*2016*
Revenues (excluding investment gains or losses)	***139,103***	*79,216*
Investment Gains	***94,621***	*186,386*
Net Income	***131,037***	*171,417*
Earnings Per Share	***0.05***	*0.07*
Market Price Per Share (PSE)	***6.10***	*6.12*

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

Revenues
This year's consolidated gross revenues of P2.9 billion was higher by P205.4 million from last year revenue of P2.6 billion. Sales revenue of PDP Energy, was higher by P178.3 million or 11.4%. Also, Cirrus Staffing and resort operations reported improved revenues.

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

Operating Expenses

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

Foreign Exchange Gain

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

Interest Expense

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

Provision for Income Tax - net

The current provision for income tax of the Group declined due lower income tax reported by PDP, partially offset by increased income tax of Cirrus Medical Staffing for the period ended March 31, 2017.

Minority Interests (statements of income)

Increase in minority interest was mainly due to share of minority shareholders in net income of resort, aviation subsidiary and Cirrus Medical Staffing, Inc. for three months of 2017.

9. Cash Flows

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

10. Financial information

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

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns

1,279,794,946 shares of Anscor. During three months of 2017, Anscorcon purchased 12.4 million Anscor shares amounting P78.2 million.

- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

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

	Periods Ended March 31	
	2017	*2016*
Volume sold (MT)	**4,094**	3,797
Revenue	**1,743,386**	1,565,111
Gross Margin	**300,470**	384,809
Net Income	**141,771**	176,738

Volume sold by PDP Energy was higher than last year, but metal and other production costs were higher, as a result PDP Energy's gross margin decreased to 17.2% in 2017 as against 2016's ratio of 24.6%.

PDP recorded a net income of P141.8 million for 3 months of 2017, lower by P35.0 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 58.6% for three months of 2017, higher than the 2016 average occupancy rate of 48.9%. Average room rate was P63,313, lower from last year's average room rate of P65,429. Total hotel revenues amounted to P247.4 million, an improvement from last year's revenues of P206.8 million partially helped by the appreciation of the Philippine peso vis-à-vis US$. Gross operating profit (GOP) of P119.2 million increased by P24.9 million versus 2016's GOP.

Seven Seas reported a consolidated net income of P55.6 million for the first three months of 2017.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a consolidated operating income of $1.6 million for year to date March 2017, same level last year. Gross margin of 26.0% was slightly lower compared to the 26.5% gross margin posted on same period last year. The Staffing Division continued to see growth in its Travel Nursing and Travel Allied divisions.

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

12. Financial Indicators

Significant financial indicators of the Group are the following:

		03/31/2017	03/31/2016
1.	Book Value Per Share (Note 1)	**14.17**	11.50
2.	Current Ratio (Note 2)	**2.59**	2.07
3.	Interest Rate Coverage Ratio (Note 3)	**17.04**	21.85
4.	Debt to Equity Ratio (Note 4)	**0.28**	0.41
5.	Asset to Equity Ratio (Note 5)	**1.30**	1.44
6.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**9.9%**	16.5%
7.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**1.6%**	3.1%

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

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

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	03/31/2017	03/31/2016
1. Volume	**4,094**	3,797
2. Net Sales	**1,743,386**	1,565,111
3. Gross Income	**300,470**	384,809
4. Net income	**141,771**	176,738

Cirrus Group

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

In Thousand Pesos

	03/31/2017	03/31/2016
3. Service income	**645,238**	588,748
4. Cost of services rendered	**477,215**	433,059
5. Net Income	**44,991**	56,750

Seven Seas Group

In Thousand Pesos

	03/31/2017	03/31/2016
1. Occupancy rate	**58.6%**	48.9%
2. Hotel revenue	**247,354**	206,786
3. Gross operating profit (GOP)	**119,170**	94,258
4. GOP ratio	**48.2%**	45.6%
5. Net income	**55,636**	37,650

Occupancy rate is based on actual room nights sold over available room nights on a 3-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

				P	W	2				

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	**Third Wednesday of April**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2017

2. Commission identification number: PW-2   3. BIR Tax Identification No. 000-103-216

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

……………………………………………………………………………………………………
……………………………………………………………………………………………………

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

Yes [x] No [ ]

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

Philippine Stock Exchange	Common

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

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

Please see SEC FORM 17-Q - Table of Contents

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

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

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer: A. SORIANO CORPORATION

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

Date: August 14, 2017

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: August 14, 2017

SECForm17-Q
August 14, 2017

A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	June 30	December 31
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	**1,802,279**	2,403,740
Fair value through profit and loss (FVPL) investments	**699,930**	769,680
Receivables	**1,945,652**	2,167,502
Inventories	**968,546**	683,917
Property development in progress	**3,177**	3,177
Available-for-sale (AFS) investments - current	**63,202**	47,729
Prepayments	**48,084**	18,677
Other current assets	**158,340**	151,401
Total Current Assets	**5,689,209**	6,245,822
Noncurrent Assets		
AFS investments - net of current portion	**9,713,083**	8,313,497
Investments and advances	**1,972,220**	1,943,574
Goodwill	**1,899,893**	1,889,496
Property and equipment	**2,674,108**	2,648,731
Investment properties	**236,307**	234,878
Retirement plan asset	**59,304**	60,191
Deferred tax assets	**62,846**	62,305
Other noncurrent assets	**151,779**	129,007
Total Noncurrent Assets	**16,769,540**	15,281,679
TOTAL ASSETS	**22,458,749**	21,527,501

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**45,155**	91,948
Accounts payable and accrued expenses	**764,629**	969,799
Dividends payable	**241,914**	242,208
Income tax payable	**67,343**	141,745
Current portion of long-term debt	**636,222**	629,350
Total Current Liabilities	**1,755,262**	2,075,050

	June 30	December 31
	2017	2016
Noncurrent Liabilities		
Long-term debt - net of current portion	**1,401,751**	1,916,231
Deferred revenues	**8,731**	8,602
Deferred income tax liabilities - net	**619,678**	600,160
Retirement benefits payable	**2,180**	4,212
Other noncurrent liabilities	**197,767**	175,746
Total Noncurrent Liabilities	**2,230,106**	2,704,951
Total Liabilities	**3,985,368**	4,780,001
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	**2,500,000**	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614
Cumulative translation adjustment	**416,264**	380,244
Equity reserve on acquisition of noncontrolling interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**3,188,449**	1,899,777
Remeasurement on retirement benefits	**33,324**	37,609
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**5,410,851**	4,914,057
Cost of shares held by a subsidiary	**(2,322,190)**	(2,226,273)
	17,955,956	16,234,671
Noncontrolling interests	**517,425**	512,829
Total Equity	**18,473,381**	16,747,500
TOTAL LIABILITIES AND EQUITY	**22,458,749**	21,527,501

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
REVENUES				
Sales	**3,276,295**	3,162,424	**1,532,909**	1,597,313
Services	**1,868,438**	1,678,618	**920,985**	845,876
Dividend income	**173,067**	69,318	**95,836**	31,496
Interest income	**47,428**	43,212	**24,567**	22,486
Sale of villa lots	**-**	292,721	**-**	292,721
Others	**-**	6,369	**33,381**	1,845
	5,365,227	5,252,661	**2,608,128**	2,791,737
INVESTMENT GAINS				
Gain on sale of AFS investments	**255,237**	258,864	**172,596**	79,908
Gain (loss) on increase (decrease) in market values of FVPL investments	**10,788**	21,299	**(1,192)**	14,875
	266,025	280,163	**171,404**	94,783
	5,631,252	5,532,824	**2,779,532**	2,886,520
Cost of goods sold/services rendered	**(3,881,627)**	(3,464,602)	**(1,862,202)**	(1,766,884)
Operating expenses	**(761,507)**	(655,733)	**(354,413)**	(321,289)
Interest expense	**(48,298)**	(55,035)	**(23,016)**	(27,817)
Valuation allowances – net	**(571)**	(44,071)	**(295)**	(18,913)
Foreign exchange gain (loss)	**11,034**	1,239	**5,277**	(3,738)
Cost of villa sold	**-**	(146,454)	**-**	(146,454)
Other income (charges) – net	**23,410**	(227)	**23,257**	(925)
	(4,657,560)	(4,364,883)	**(2,211,392)**	(2,286,020)
INCOME BEFORE INCOME TAX	**973,692**	1,167,941	**568,139**	600,500
PROVISION FOR INCOME TAX - net	**190,029**	200,029	**92,103**	91,596
NET INCOME	**783,663**	967,912	**476,036**	508,904
Net Income Attributable to:				
Equity holdings of the parent	**741,156**	882,164	**459,671**	446,794
Noncontrolling interest	**42,508**	85,748	**16,365**	62,110
	783,663	967,912	**476,036**	508,904
EARNINGS PER SHARE - basic/diluted, for net income attributable to equity holders of the Parent	**0.61**	0.72	**0.38**	0.36

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
NET INCOME FOR THE PERIOD	**783,663**	967,912	**476,036**	508,904
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	**1,548,575**	526,601	**387,089**	(154,677)
Realized Gains on Sale of AFS investments, net of impairment losses	**(255,237)**	(258,864)	**(172,596)**	(79,908)
Unrealized gain on remeasurement of retirement benefits	**(6,121)**	2,434	**0**	0
Cumulative Translation Adjustment	**36,020**	(10,243)	**4,771**	57,050
Income Tax Effect	**(2,830)**	4,194	**1,290**	1,522
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**1,320,408**	264,122	**220,554**	(176,013)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,104,071**	1,232,034	**696,590**	332,891

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on AFS Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2015	2,500,000	1,605,614	(26,357)	686,254	34,993	187,917	6,300,000	4,487,779	(2,219,505)	378,226	13,934,921
Comprehensive income	-	-	-	272,661	1,704	(10,243)	-	882,164	-	85,748	1,232,034
Cash dividends - net	-	-	-	-	-	-	-	(246,519)	-	-	(246,519)
Appropriation of retained earnings	-	-	-	-	-	-	100,000	(100,000)	-	-	-
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(6,768)	-	(6,768)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	(8,382)	(8,382)
Balance at 06/30/2016	**2,500,000**	**1,605,614**	**(26,357)**	**958,915**	**36,696**	**177,674**	**6,400,000**	**5,023,425**	**(2,226,273)**	**455,592**	**14,905,286**
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	1,899,777	37,609	380,244	7,150,000	4,914,057	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	1,288,672	(4,284)	36,020	-	741,156	-	42,508	2,104,071
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(95,917)	-	(95,917)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	(37,912)	(37,912)
Balance at 06/30/2017	**2,500,000**	**1,605,614**	**(26,357)**	**3,188,449**	**33,324**	**416,264**	**7,150,000**	**5,410,851**	**(2,322,190)**	**517,425**	**18,473,381**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**973,692**	1,167,941	**568,139**	600,500
Adjustment for:				
Depreciation and amortization	**125,522**	115,831	**61,009**	58,298
Interest expense	**48,298**	55,035	**23,016**	27,817
Gain on sale of AFS investments	**(255,237)**	(258,864)	**(172,596)**	(79,908)
Dividend income	**(173,067)**	(69,318)	**(95,836)**	(31,496)
Interest income	**(47,428)**	(43,212)	**(24,567)**	(22,486)
Foreign exchange loss (gain) - net	**(15,909)**	(8,809)	**(12,776)**	2,942
Gain on sale of property and equipment	**(17,352)**	(665)	**(17,352)**	(15)
Loss (gain) on decrease (increase) in market values of FVPL investments	**(10,788)**	(21,299)	**1,192**	(14,875)
Valuation allowances - net	**571**	44,071	**295**	18,913
Operating income before working capital changes	**628,303**	980,711	**330,524**	559,691
Decrease (increase) in:				
FVPL investments	**91,578**	(38,502)	**70,515**	54,652
Receivables	**221,279**	(238,171)	**240,472**	(90,908)
Inventories	**(284,629)**	84,600	**(115,750)**	15,042
Property development in progress	**-**	58,624	**-**	95,808
Increase (decrease) in:				
Accounts payable and accrued expenses	**(205,170)**	23,588	**(228,492)**	(70,771)
Retirement benefits payable	**(7,265)**	4,501	**(3,007)**	580
Customer' deposit for property development	**-**	(284,498)	**-**	(283,521)
Net cash generated from operations	**444,095**	590,853	**294,263**	280,573
Dividend received	**173,067**	69,318	**95,836**	31,496
Interest received	**48,123**	43,435	**25,545**	22,643
Interest paid	**(48,298)**	(55,035)	**(23,016)**	(27,817)
Income taxes paid	**(251,356)**	(136,659)	**(203,412)**	(136,042)
Net cash flows from operating activities	**365,631**	511,912	**189,217**	170,853

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**1,511,732**	954,226	**1,114,016**	335,994
Property and equipment	**19,250**	665	**19,250**	15
Addition to:				
AFS investments	**(1,360,631)**	(810,936)	**(843,396)**	(531,528)
Property and equipment	**(152,797)**	(81,290)	**(74,150)**	(47,160)
Investment properties	**(1,429)**	1,454	**(210)**	1,454
Decrease (increase) in:				
Prepayments and other assets	**(59,118)**	(69,924)	**(261)**	(34,162)
Other noncurrent liabilities	**22,021**	27,266	**9,847**	14,871
Advances to affiliates	**4,924**	470	**(32,515)**	7,047
Net cash flows from (used in) investing activities	**(16,048)**	21,931	**192,581**	(253,469)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from long-term debt	**(528,682)**	(317,313)	**(258,290)**	(158,016)
Payment of:				
Notes payable	**(46,794)**	182,802	**41,841**	209,000
Dividends	**(244,656)**	(246,519)	**(244,361)**	(246,519)
Company shares purchased by a subsidiary	**(95,917)**	(6,768)	**(17,739)**	-
Increase (decrease) in:				
Deferred revenue	**129**	(282)	**47**	(78)
Minority interest	**(37,912)**	(8,382)	**54**	(8,399)
Net cash flows used in financing activities	**(953,832)**	(396,462)	**(478,449)**	(204,011)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**2,788**	(5,266)	**1,800**	593
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(601,461)**	132,115	**(94,851)**	(286,035)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,403,740**	1,774,319	**1,897,130**	2,192,470
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,802,279**	1,906,435	**1,802,279**	1,906,435

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	June 30	December 31
	2017	2016
ASSETS		
Cash and Cash Equivalents	**769,479**	836,979
Fair Value through Profit and Loss (FVPL) Investments	**699,930**	769,680
Available for Sale (AFS) Investments	**9,322,187**	8,037,467
Receivables - net	**125,884**	160,642
Investments and Advances- net	**8,039,930**	7,872,221
Property and Equipment - net	**23,161**	23,922
Retirement Plan Asset	**51,022**	51,022
Other Assets	**1,013**	844
TOTAL ASSETS	**19,032,606**	17,752,778
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**200,214**	42,063
Dividends Payable	**241,914**	241,914
Long-term Debt	**1,249,034**	1,566,180
Deferred Income Tax Liabilities - net	**71,285**	60,130
Total Liabilities	**1,762,446**	1,910,288
Equity		
Capital Stock - 1 Par Value	**2,500,000**	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800
Unrealized Valuation Gains on AFS Investments	**3,151,273**	1,861,617
Remeasurement on Retirement Benefits	**28,451**	28,451
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**2,850,636**	2,712,623
Total Equity	**17,270,159**	15,842,490
TOTAL LIABILITIES AND EQUITY	**19,032,606**	17,752,778

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
REVENUES				
Dividend income	**442,026**	324,173	**342,591**	286,496
Interest income	**42,873**	39,492	**20,561**	19,945
Management fees	**31,374**	43,098	**14,017**	21,106
	516,273	406,762	**377,169**	327,547
INVESTMENT GAINS				
Gain on sale of AFS investments	**255,237**	258,350	**172,596**	78,308
Gains (loss) on increase (decrease) in market values of FVPL investments	**10,788**	20,896	**(1,192)**	14,552
	266,025	279,246	**171,404**	92,860
	782,297	686,009	**548,573**	420,407
Operating expenses	**(137,785)**	(116,114)	**(48,724)**	(34,827)
Foreign exchange gain (loss)	**9,523**	2,312	**4,592**	(4,912)
Interest expense	**(23,955)**	(27,582)	**(11,554)**	(13,759)
Other income - net	**17,564**	11,994	**17,501**	11,281
	(134,653)	(129,390)	**(38,185)**	(42,216)
INCOME BEFORE INCOME TAX	**647,644**	556,619	**510,388**	378,190
PROVISION FOR INCOME TAX - NET	**9,631**	7,040	**3,411**	29
NET INCOME	**638,014**	549,579	**506,977**	378,161
Earnings Per Share	**0.26**	0.22	**0.20**	0.15

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
NET INCOME FOR THE PERIOD	**638,014**	549,579	**506,977**	378,161
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	**1,547,393**	533,933	**386,173**	(153,840)
Realized gains on sale of AFS investments, net of impairment losses	**(255,237)**	(258,350)	**(172,596)**	(78,308)
Income Tax Effect	**(2,501)**	(5,154)	**1,290**	(1,864)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**1,289,656**	270,429	**214,868**	(234,012)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,927,669**	820,008	**721,844**	144,149

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings		Total
					Appropriated	Unappropriated	
Balance at 12/31/2015	2,500,000	1,589,800	649,259	32,505	6,300,000	3,058,392	14,129,956
Comprehensive income	-	-	270,429	-	-	549,579	820,008
Appropriation of retained earnings	-	-	-	-	100,000	(100,000)	-
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 06/30/2016	**2,500,000**	**1,589,800**	**919,688**	**32,505**	**6,400,000**	**3,007,971**	**14,449,964**
Balance at 12/31/2016	2,500,000	1,589,800	1,861,617	28,451	7,150,000	2,712,623	15,842,490
Comprehensive income	-	-	1,289,656	-	-	638,014	1,927,669
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 06/30/2017	**2,500,000**	**1,589,800**	**3,151,273**	**28,451**	**7,150,000**	**2,850,636**	**17,270,159**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS
(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**647,644**	556,619	**510,388**	378,190
Adjustment for:				
Interest expense	**23,955**	27,582	**11,554**	13,759
Depreciation and amortization	**4,183**	3,685	**2,091**	1,842
Dividend income	**(442,026)**	(324,173)	**(342,591)**	(286,496)
Gain on sale of AFS investments	**(255,237)**	(258,350)	**(172,596)**	(78,308)
Interest income	**(42,873)**	(39,492)	**(20,561)**	(19,945)
Gain on sale of property and equipment	**(17,352)**	(665)	**(17,352)**	(15)
Loss (gain) on decrease (increase) in market values of FVPL investments	**(10,788)**	(20,896)	**1,192**	(14,552)
Unrealized foreign exchange loss (gain)	**(9,523)**	(2,312)	**(4,592)**	4,912
Operating loss before working capital changes	**(102,016)**	(58,003)	**(32,466)**	(612)
Decrease (increase):				
Receivables	**34,758**	(16,893)	**1,109**	3,439
FVPL investments	**91,578**	(31,258)	**70,515**	56,013
Increase (decrease) in accounts payable and accrued expenses	**158,151**	(9,505)	**160,803**	(24,180)
Net cash generated (used in) operations	**182,471**	(115,658)	**199,961**	34,660
Dividend received	**442,026**	199,173	**342,591**	161,496
Interest received	**43,568**	39,714	**21,539**	20,102
Interest paid	**(23,955)**	(27,582)	**(11,554)**	(13,759)
Income tax paid	**(930)**	-	**(930)**	-
Net cash flows from operating activities	**643,180**	95,647	**551,607**	202,498

	Periods Ended June 30		Quarters Ended June 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**1,511,732**	928,646	**1,114,016**	312,263
Property and equipment	**17,352**	665	**17,352**	15
Additions to:				
AFS investments	**(1,231,476)**	(706,502)	**(729,926)**	(489,347)
Property and equipment	**(3,422)**	(1,138)	**(2,834)**	(253)
Increase in:				
Advances to affiliates	**(167,708)**	(37,570)	**(111,669)**	1,349
Other assets	**(169)**	(389)	**184**	(138)
Net cash flows from (used in) investing activities	**126,309**	183,712	**287,122**	(176,111)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	**(338,220)**	(210,038)	**(112,995)**	(105,638)
Notes payable	**-**	209,000	**-**	209,000
Cash dividends	**(500,000)**	(246,519)	**(500,000)**	(246,519)
Net cash flows used in financing activities	**(838,220)**	(247,556)	**(612,995)**	(143,156)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**1,230**	(2,788)	**1,068**	721
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(67,500)**	29,015	**226,803**	(116,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**836,979**	443,236	**542,676**	588,298
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**769,479**	472,251	**769,479**	472,251

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations							
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
0630/2017								
REVENUE	1,270,468	3,276,295	471,409	401,689	782,297	6,202,157	(570,906)	**5,631,252**
NET INCOME	91,418	253,150	83,747	252,664	638,014	1,318,993	(535,329)	**783,663**
TOTAL ASSETS	1,132,501	3,614,328	1,563,014	12,216,510	19,032,606	37,558,959	(15,100,210)	**22,458,749**
INVESTMENTS PORTFOLIO *	-	12,057	92,132	11,893,891	18,062,047	30,060,128	(17,375,387)	**12,684,741**
PROPERTY & EQUIPMENT	4,693	637,001	781,637	106,281	23,161	1,552,773	1,121,336	**2,674,108**
TOTAL LIABILITIES	517,778	1,231,826	466,249	3,939,055	1,762,446	7,917,354	(3,931,986)	**3,985,368**
DEPRECIATION AND AMORTIZATION	934	36,427	50,425	20,226	4,183	112,196	13,326	**125,522**

	Before Eliminations							
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
6/30/2016								
REVENUE	1,212,913	3,162,424	370,096	696,247	686,009	6,127,689	(594,865)	**5,532,824**
NET INCOME	116,519	356,835	185,883	276,890	549,579	1,485,706	(517,794)	**967,912**
TOTAL ASSETS	1,179,453	3,726,775	1,647,769	11,578,751	16,952,686	35,085,434	(14,931,987)	**20,153,447**
INVESTMENTS ASSETS *	-	9,637	94,827	11,290,271	16,237,802	27,632,538	(17,179,198)	**10,453,340**
PROPERTY & EQUIPMENT	4,733	572,702	815,438	99,295	27,180	1,519,349	1,147,987	**2,667,336**
TOTAL LIABILITIES	162,889	1,747,642	730,396	3,746,886	2,502,722	8,890,534	(3,642,374)	**5,248,160**
DEPRECIATION AND AMORTIZATION	2,638	47,968	38,443	13,769	3,685	106,503	9,328	**115,831**

****** Inclusive of FVPL investments, AFS investments, advances & investments and investment properties.***
******* Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

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

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

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

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Account Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

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

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

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the

asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

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

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments are not relevant to the Group.

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

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

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

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.

There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

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

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

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

Effective beginning on or after January 1, 2017

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

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

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

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

Effective beginning on or after January 1, 2018

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

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

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

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

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

becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

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

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases

with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at June 30, 2017 and December 31, 2016:

		Percentage of Ownership	
	Nature of Business	**2017**	2016
A. Soriano Air Corporation	Services/Rental	**100**	100
Pamalican Island Holdings, Inc.	Holding	**62**	62
Island Aviation, Inc.	Air Transport	**62**	62
Anscor Consolidated Corporation	Holding	**100**	100

		Percentage of Ownership	
	Nature of Business	**2017**	2016
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	**100**	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100
Lakeroad Corp.	Real Estate Holding	**100**	100
Mainroad Corp.	Real Estate Holding	**100**	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100
Mountainridge Corp.	Real Estate Holding	**100**	100
Rollingview Corp.	Real Estate Holding	**100**	100
Timbercrest Corp.	Real Estate Holding	**100**	100
Anscor International, Inc.	Holding	**100**	100
IQ Healthcare Investments Limited	Manpower Services	**100**	100
Cirrus Medical Staffing, Inc. (CMSI)	Manpower Services	**94**	94
Cirrus Holdings USA, LLC	Manpower Services	**94**	94
Cirrus Allied, LLC	Manpower Services	**94**	94
NurseTogether, LLC	Online Community Management	**94**	94
Phelps Dodge International Philippines, Inc.	Holding	**100**	100
Minuet Realty Corporation	Landholding	**100**	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	**100**	100
PD Energy International Corporation	Wire Manufacturing	**100**	100
Sutton Place Holdings, Inc.	Holding	**100**	100
Cirrus Global, Inc.	Manpower Services	**93**	93
IQ Healthcare Professional Connection, LLC	Manpower Services	**93**	93
AFC Agribusiness Corporation	Real Estate Holding	**81**	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	**62**	62
Pamalican Resort, Inc.	Resort Operations	**62**	62
Summerside Corp.	Investment Holdings	**40**	40

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

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

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

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

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

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

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

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

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

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

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

Current Versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

Investments in Associates

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

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

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

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

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

The following are the Group's associates:

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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

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

<u>Financial Instruments</u>

Date of recognition

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

Initial recognition of financial instruments

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

Classification of financial instruments

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

As of June 30, 2017 and December 31, 2016, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

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

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

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

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of June 30, 2017 and December 31, 2016.

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

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

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

As of June 30, 2017 and December 31, 2016, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of June 30, 2017 and December 31, 2016.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to employees and other receivables.

(b) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as “Gain on sale of AFS investments”. Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statement of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

As of June 30, 2017 and December 31, 2016, the Group’s AFS investments include investment in equity securities and bond and convertible notes.

(c) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of June 30, 2017 and December 31, 2016, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of June 30, 2017 and December 31, 2016, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income.

Assets carried at cost

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of “Interest income” in the consolidated statement of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Sale of real estate

Revenue of villa lots is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. and UAE hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. and UAE hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

<u>Costs and Expenses</u>
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method.

Costs of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in “Other noncurrent assets” in the consolidated balance sheets, until the nurses’ arrival and employment in the U.S. hospitals. Upon the nurses’ arrival and employment in the U.S. hospitals, deferred costs are reversed to “Costs of services rendered”.

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

<u>Property Development in Progress</u>
Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

<u>Investment Properties</u>
Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer's Deposit for Property Development

Customers' deposit for property development, which pertain to advance payment by a villa buyer that is required to start and complete the villa development, is recognized at the fair value of the deposit received. Upon completion of the sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital
Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary
The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>
The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

If at the end of any taxable month the output VAT exceeds the input VAT, the excess shall be paid by the Group. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding month or months. Input VAT on capital goods may, at the option of the Group, be refunded or credited against other internal revenue taxes, subject to certain tax laws.

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of June 30, 2017 and December 31, 2016.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency
The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Operating lease commitments - the Group as Lessee
The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating lease commitments - the Group as Lessor
The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Financial assets not in an active market
The Group classifies financial assets by evaluating, among others, whether the asset is or not in an active market. Included in the evaluation on whether a financial asset is in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables
The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the

Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group generally treats significant decline as 30% or more and prolonged decline as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for equities and future cash flows and discount factors for unquoted equities.

Impairment of AFS debt investments

For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment.

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Investments carried at equity method
Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of non-financial assets
(a) Property and equipment and investment properties
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended September 30, 2016.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱105.0 million since December 31, 2009 on its investment in Cirrus.

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

Purchase price allocation in business combinations and goodwill
The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to P1,452.5 million based on provisional purchase price allocation. In 2015, the valuation was completed. Final goodwill amounted to P1,202.9 million. The total carrying value of goodwill amounted to P1,896.1 million and P1,889.5 million as of June 30, 2017 and December 31, 2016, respectively.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

   Cash flow interest rate risk

   Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

   Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

   The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

c. Price risk of mutual funds

   The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

d. Foreign currency risks

   Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

e. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market.

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

f. Operating and regulatory risk

CMSIS is accredited by the The Joint Commission, a private sector, US-based, not-for-profit organization. This accreditation significantly influences the CMSIS's credentialing and documentation processes for the traveling healthcare professionals. The Joint Commission accreditation is deemed as the Gold Seal of Standards for healthcare staffing companies and provides license to transact business with hospitals and association requiring The Joint Commission accreditation. Any changes on the accreditation rules and regulations may adversely affect the CMSIS's credentialing and operating procedures and ability to staff qualified healthcare professionals. The CMSIS manages its exposure to such risks by conducting internal audits and monitoring new rules and regulations from The Joint Commission.

With respect to its international business segment, the CMSIS is subject to regulations by the US State Department for the immigration of nurses and temporary work visa of therapists to the USA. These governmental regulations significantly influence the Group's ability to deploy nurses and therapists in the USA. The Group manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the US State Department.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries and associate:

a. The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

   The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

   No changes were made in the objectives, policies or process for the period ended June 30, 2017 and December 31, 2016.

b. Cirrus' and CGI's capital management objectives are:
   - To ensure its ability to continue as a going concern; and
   - To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

   CGI monitors capital on the basis of the carrying amount of equity as presented on the face of its balance sheet.

   CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

6. Financial Instruments

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

(In thousand pesos)	**June 30, 2017**		**December 31, 2016**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds and convertible note	**₱677,917**	**₱677,917**	₱744,616	₱744,616
Funds and equities	**165**	**165**	3,346	3,346
Others	**21,848**	**21,848**	21,719	21,719
	699,930	**699,930**	769,680	769,680
AFS investments:				
Quoted equity shares	**6,782,881**	**6,782,881**	5,671,746	5,671,746
Bonds and convertible note	**791,760**	**791,760**	847,825	847,825
Funds and equities	**483,704**	**483,704**	254,471	254,471
Proprietary shares	**185,810**	**185,810**	184,210	184,210
Unquoted shares	**1,097,645**	**1,097,645**	1,097,757	1,097,757
	9,341,800	**9,341,800**	8,056,010	8,056,010
	₱10,041,730	**₱10,041,730**	₱8,825,690	₱8,825,690

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As June 30, 2017 and December 31, 2016, AFS investments amounting to ₱434.5 million and ₱305.2 million, respectively, were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.
- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.

- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:.

As of June 30, 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 and convertible note	**₱677,917**	**₱677,917**	**₱–**	**₱–**
Funds and equities	**165**	**165**	**–**	**–**
Others	**21,848**	**21,848**	**–**	**–**
	699,930	**699,930**	**–**	**–**
AFS investments:				
Quoted equity shares	**6,782,881**	**6,782,881**	**–**	**–**
Bonds and convertible note	**791,760**	**791,760**	**–**	**–**
Funds and equities	**483,704**	**483,704**	**–**	**–**
Proprietary shares	**185,810**	**185,810**	**–**	**–**
Unquoted shares	**1,097,645**			**1,097,645**
	9,341,800	**8,244,155**	**–**	**1,097,645**
	₱10,041,730	**₱8,944,084**	**₱–**	**₱1,097,645**

As of December 31, 2016:

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds and convertible note	₱744,616	₱744,616	₱–	₱–
Funds and equities	3,346	3,346	–	–
Others	21,719	21,719	–	–
	769,680	769,680	–	–
AFS investments:				
Quoted equity shares	5,671,746	5,671,746	–	–
Bonds and convertible note	847,825	847,825	–	–
Funds and equities	254,471	254,471	–	–
Proprietary shares	184,210	184,210	–	–
Unquoted shares	1,097,757	-	–	1,097,757
	8,056,010	6,958,252	–	1,097,757
	₱8,825,690	₱7,727,933	₱–	₱1,097,757

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

	Valuation Technique	**Significant unobservable inputs**	**Range**	**Sensitivity of input to fair value**
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.

* Subsequently sold on July 5, 2017.

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
Re–measurement recognized in OCI	–	–	–
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	237	237
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2016	345	753	1,098
Re–measurement recognized in OCI	–	–	–
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	-	-
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 30 June 2017	**₱345**	**₱753**	**₱1,098**

For the periods ended June 30, 2017 and December 31, 2016, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

* Subsequently sold on July 5, 2017.

7. Financial Condition

There was no significant change in the Company's Consolidated Balance Sheet as of June 30, 2017 versus December 31, 2016.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P1.0 billion offset by cash flows from operating activities of P365.6 million.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the net disposal for the period of about P91.6 million offset by the increase of P10.8 million in market value of foreign denominated investment in bonds, stocks and funds and unrealized foreign exchange gain related to foreign denominated investments amounting to P11.0 million

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Receivables

The decrease in receivables was mainly due to improved collection of the receivables of the subsidiaries.

Inventories

The increase was due to higher level of finished goods and work-in-process inventories of the wire manufacturing subsidiary, offset by issuance/utilization of spare parts and supplies by the aviation and resort subsidiaries.

Prepayments and other current assets

Increase in this account can be attributed mainly to prepaid expenses related to manufacturing and resort operations.

Available for Sale (AFS) Investments

Net increase in this account amounted to P1.4 billion. There was an increase in market value of AFS investments of about P1.3 billion and net addition to AFS investments of P104.1 million. Unrealized foreign exchange gain recognized for six months of 2017 amounted to P18.3 million.

Investments and Advances

The increase in investments and advances was mainly due to unrealized foreign exchange gain related to foreign equity investment amounting to P33.6 million. Advances collected from associates amounted to P4.9 million for the six months of 2017.

Goodwill

The goodwill from US-based staffing business increased by P10.4 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P125.5 million while net additions to property and equipment amounted to P150.9 million, mainly attributable to capital expenditures of the manufacturing and resort subsidiaries.

Other Noncurrent Assets
Change in the account balance can be attributed to the increase in fund for villa operation as a source for future maintenance and capex requirements and additional refundable deposits made by aviation subsidiary in relation to the maintenance service plan for its aircrafts.

Notes Payable
The decrease in the account was due to payment of short term loan by Cirrus.

Accounts Payable and Accrued Expenses
The decrease was mainly attributable to the payment of liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Dividends Payable
On February 22, 2017, the Parent Company approved the declaration of cash dividends of P0.20 per share to shareholders, which was paid on April 4, 2017.

Income Tax Payable
Movement in the account was attributable to income taxes paid during the period by the Group.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to P528.7 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company and subsidiaries when translated to the exchange rate as of June 30, 2017.

Deferred Income Tax Liabilities
Minimal increase in the account was mainly due to the deferred tax effect on the increase in value of AFS & FVPL investments, accrued management fees and unrealized foreign exchange gain.

Other noncurrent liabilities
Increase in the account balance was mainly due to the payment of villa owners for future back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)
This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by P36.0 million.

Unrealized valuation gains on AFS investments (equity portion)
Increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to P1.3 billion from January 1 to June 30, 2017.

Others
There were no commitments for major capital expenditures in 2017.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended June 30	
	2017	*2016*
Revenues (excluding investment gains or losses)	***516,273***	*406,762*
Investment Gains	***266,025***	*279,246*
Net Income	***638,014***	*549,579*
Earnings Per Share	***0.26***	*0.22*
Market Price Per Share (PSE)	***6.30***	*6.00*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
This year's consolidated gross revenues of P5.7 billion was slightly higher than last year's revenue of P5.5 billion. Sales revenue of PDP Energy, was higher by P113.9 million or 3.6%. Also, Cirrus Staffing and resort operations reported improved revenues.

Cost of Goods Sold/Services Rendered
Increase in cost of goods sold and services rendered was mainly attributable to higher cost of goods and services of the wire manufacturing, nurse staffing business and resort operation due to their increased revenues.

Operating Expenses

The Group reported higher operating expenses for six months of 2017 mainly due to increased expenses of the Parent Company, PDP, the staffing business and the resort group.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its foreign currency denominated investments in financial assets offset by foreign exchange loss on its dollar denominated loan.

Interest Expense

Amount in 2017 was slightly lower than 2016 due to payment of long-term loan by the parent company and PDP.

Provision for Income Tax - net

The current provision for income tax of the Group slightly declined due lower income tax of PDP, partially offset by increased income tax of Cirrus Medical Staffing for the period ended June 30, 2017.

Minority Interests (statements of income)

Decrease in minority interest was mainly due to share of minority shareholders in lower net income of resort, aviation subsidiary and net loss of Cirrus Global, Inc. for six months of 2017.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer’s continuing operations.

In the interim period:

- No issuance or repayment of equity securities.

- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,282,524,146 shares of Anscor. During six months of 2017, Anscorcon purchased 15.1 million Anscor shares amounting P95.9 million.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended June 30	
	2017	*2016*
Volume sold (MT)	**7,426**	*7,735*
Revenue	**3,276,295**	*3,162,424*
Net Income	***253,150***	*356,835*

Volume sold by PDP Energy was higher than last year, metal and other production costs were also higher. As a result, PDP's net income of P253.2 million for six months of 2017 was lower compared to P356.8 million net profit last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 61.8% for six months of 2017, higher than the 2016 average occupancy rate of 47.4%. Average room rate was P55,687, lower from last year's average room rate of P58,486. Total hotel revenues amounted to P471.4 million, an improvement from last year's revenues of P370.1 million partially helped by the appreciation of the Philippine peso vis-à-vis US$. Gross operating profit (GOP) of P209.4 million increased by P59.1 million versus 2016's GOP.

Seven Seas reported a consolidated net income of P83.7 million for the first six months of 2017.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a consolidated operating income of $6.8 million for year to date June 2017, same level last year. Gross margin of 26.8% was slightly higher from the 26.6% gross margin posted on the same period last year. The Staffing Division continued to see growth in its Travel Nursing and Travel Allied divisions.

Cirrus will continues to expand geographically and by discipline, while increasing gross margins, maximizing cost efficiency and aligning resources based on the opportunities of the company.

12. Financial Indicators

Significant financial indicators of the Group are the following:

		06/30/2017	06/30/2016
1.	Book Value Per Share (Note 1)	**14.79**	11.72
2.	Current Ratio (Note 2)	**3.24**	2.81
3.	Interest Rate Coverage Ratio (Note 3)	**22.08**	22.22
4.	Debt to Equity Ratio (Note 4)	**0.22**	0.36
5.	Asset to Equity Ratio (Note 5)	**1.25**	1.39
6.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**13.8%**	15.9%
7.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**4.4%**	6.1%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	06/30/2017	06/30/2016
1. Volume	**7,426**	7,735
2. Net Sales	**3,276,295**	3,162,424
3. Net income	**253,150**	356,835

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business).

In Thousand Pesos

	06/30/2017	06/30/2016
3. Service income	**1,270,468**	1,212,913
4. Cost of services rendered	**930,179**	890,714
5. Net Income	**91,418**	116,519

Seven Seas Group

In Thousand Pesos

	06/30/2017	06/30/2016
1. Occupancy rate	**61.8%**	47.4%
2. Hotel revenue	**471,409**	370,096
3. Gross operating profit (GOP)	**209,425**	150,310
4. GOP ratio	**44.4%**	40.6%
5. Net income *	**83,747**	185,883

Occupancy rate is based on actual room nights sold over available room nights on a 6-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

* 2016 net income inclusive of gain on sale of villa of P146.3 million.

13. Subsequent Event

On July 5, 2017, the Parent Company (Anscor) entered into a Deed of Absolute Sale for the sale of Anscor's entire shareholdings equivalent to 16,216,217 shares of stock in Enderun Colleges, Inc. to Le Penseur, Inc. for a total purchase price of P395.0 million.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

P W 2

COMPANY NAME

A SORIANO CORPORATION AND
SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat
Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.com.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	**Third Wednesday of April**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2017

2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

   A. SORIANO CORPORATION
4. Exact name of issuer as specified in its charter

   Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

   7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. Address of issuer's principal office Postal Code

   8190251
8. Issuer's telephone number, including area code

   N/A
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
VP- Asst. Corporate Secretary

Date: November 16, 2017

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: November 16, 2017

SECForm17-Q
November 16, 2017

A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	September 30 2017	December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents	**1,761,385**	2,403,740
Fair value through profit and loss (FVPL) investments	**670,018**	769,680
Receivables	**2,335,825**	2,167,502
Inventories	**1,028,669**	683,917
Property development in progress	**3,177**	3,177
Available-for-sale (AFS) investments - current	**63,202**	47,729
Prepayments	**57,680**	18,677
Other current assets	**209,723**	151,401
Total Current Assets	**6,129,679**	6,245,822
Noncurrent Assets		
AFS investments - net of current portion	**9,428,095**	8,313,497
Investments and advances	**2,005,216**	1,943,574
Goodwill	**1,803,460**	1,889,496
Property and equipment	**2,650,876**	2,648,731
Investment properties	**236,447**	234,878
Retirement plan asset	**59,304**	60,191
Deferred tax assets	**62,846**	62,305
Other noncurrent assets	**149,428**	129,007
Total Noncurrent Assets	**16,395,672**	15,281,679
TOTAL ASSETS	**22,525,351**	21,527,501

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**-**	91,948
Accounts payable and accrued expenses	**1,045,728**	969,799
Dividends payable	**239,003**	242,208
Income tax payable	**76,203**	141,745
Current portion of long-term debt	**641,757**	629,350
Total Current Liabilities	**2,002,691**	2,075,050

	September 30 2017	December 31 2016
Noncurrent Liabilities		
Long-term debt - net of current portion	**1,256,017**	1,916,231
Deferred revenues	**8,376**	8,602
Deferred income tax liabilities - net	**617,664**	600,160
Retirement benefits payable	**1,422**	4,212
Other noncurrent liabilities	**192,600**	175,746
Total Noncurrent Liabilities	**2,076,079**	2,704,951
Total Liabilities	**4,078,770**	4,780,001
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	**2,500,000**	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614
Cumulative translation adjustment	**455,821**	380,244
Equity reserve on acquisition of noncontrolling interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**2,791,997**	1,899,777
Remeasurement on retirement benefits	**37,609**	37,609
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**5,747,635**	4,914,057
Cost of shares held by a subsidiary	**(2,322,191)**	(2,226,273)
	17,940,127	16,234,671
Noncontrolling interests	**506,454**	512,829
Total Equity	**18,446,581**	16,747,500
TOTAL LIABILITIES AND EQUITY	**22,525,351**	21,527,501

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
REVENUES				
Sales	**5,168,803**	4,710,898	**1,892,508**	1,548,474
Services	**2,603,165**	2,513,165	**734,727**	834,547
Interest income	**70,686**	64,575	**25,307**	21,363
Dividend income	**251,496**	148,976	**78,429**	79,658
Management fee	**-**	7,984	**-**	1,615
Sale of villa lots	**-**	635,146	**-**	342,425
	8,094,150	8,080,743	**2,730,972**	2,828,082
INVESTMENT GAINS				
Gain on sale of AFS investments	**379,435**	499,283	**124,198**	240,419
Gain on increase in market values of FVPL investments	**12,701**	33,221	**1,913**	11,922
	392,136	532,505	**126,111**	252,342
TOTAL	**8,486,286**	8,613,248	**2,857,084**	3,080,424
Cost of goods sold/services rendered	**(5,960,910)**	(5,247,385)	**(2,079,283)**	(1,782,783)
Operating expenses	**(1,065,174)**	(947,361)	**(303,666)**	(291,627)
Interest expense	**(71,019)**	(80,741)	**(24,771)**	(25,706)
Valuation allowances - net	**(754)**	(44,776)	**(183)**	(705)
Foreign exchange gain (loss)	**21,007**	(1,886)	**9,974**	(3,126)
Cost of villa lots	**-**	(334,973)	**-**	(188,520)
Other income (charges) - net	**(97,709)**	3,718	**(121,119)**	3,946
	(7,174,559)	(6,653,404)	**(2,519,049)**	(2,288,521)
INCOME BEFORE INCOME TAX	**1,311,727**	1,959,843	**338,035**	791,902
PROVISION FOR INCOME TAX - net	**202,264**	299,369	**12,236**	99,340
NET INCOME	**1,109,463**	1,660,475	**325,799**	692,562
Net Income Attributable to:				
Equity holders of the Parent	**1,077,940**	1,528,281	**336,784**	646,117
Noncontrolling interests	**31,523**	132,194	**(10,985)**	46,445
	1,109,463	1,660,475	**325,799**	692,562
Earnings Per Share - basic/diluted, for net income attributable to equity holders of the Parent	**0.89**	1.24	**0.28**	0.52

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
NET INCOME FOR THE PERIOD	**1,109,463**	1,660,475	**325,799**	692,562
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	**1,270,679**	1,301,370	**(277,896)**	774,769
Realized gains on sale of AFS investments, net of impairment losses	**(379,435)**	(499,283)	**(124,198)**	(240,419)
Unrealized gain on remeasurement of retirement benefits	**-**	2,434	**6,121**	-
Cumulative translation adjustment	**75,576**	97,047	**39,556**	107,290
Income tax effect	**976**	5,265	**3,806**	1,071
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**967,796**	906,832	**(352,611)**	642,711
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**2,077,259**	2,567,307	**(26,812)**	1,335,273

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on AFS Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2015	2,500,000	1,605,614	(26,357)	686,254	34,993	187,917	6,300,000	4,487,779	(2,219,505)	378,226	13,934,921
Comprehensive income	-	-	-	808,082	1,704	97,047	-	1,528,281	-	132,194	2,567,307
Cash dividends - net	-	-	-	-	-	-	-	(246,519)	-	-	(246,519)
Appropriation of retained earnings	-	-	-	-	-	-	100,000	(100,000)	-	-	-
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(6,768)	-	(6,768)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	(8,322)	(8,322)
Balance at 09/30/2016	**2,500,000**	**1,605,614**	**(26,357)**	**1,494,336**	**36,696**	**284,964**	**6,400,000**	**5,669,542**	**(2,226,273)**	**502,098**	**16,240,620**
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	1,899,777	37,609	380,244	7,150,000	4,914,057	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	892,220	-	75,576	-	1,077,940	-	31,523	2,077,259
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(95,918)	-	(95,918)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	(37,898)	(37,898)
Balance at 09/30/2017	**2,500,000**	**1,605,614**	**(26,357)**	**2,791,997**	**37,609**	**455,821**	**7,150,000**	**5,747,635**	**(2,322,191)**	**506,454**	**18,446,581**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**1,311,727**	1,959,843	**338,035**	791,902
Adjustment for:				
Depreciation and amortization	**188,919**	175,010	**63,397**	59,179
Write-off of goodwill	**103,137**	-	**103,137**	-
Interest expense	**71,019**	80,741	**24,771**	25,706
Valuation allowances - net	**754**	44,776	**183**	705
Gain on sale of AFS investments	**(379,435)**	(499,283)	**(124,198)**	(240,419)
Dividend income	**(251,496)**	(148,976)	**(78,429)**	(79,658)
Interest income	**(70,686)**	(64,575)	**(25,307)**	(21,363)
Foreign exchange loss (gain) - net	**(18,266)**	10,283	**(2,358)**	19,093
Gain on sale of property and equipment	**(17,352)**	(665)	**-**	-
Gain on increase in market values of FVPL investments	**(12,701)**	(33,221)	**(1,913)**	(11,922)
Operating income before working capital changes	**925,620**	1,523,933	**297,317**	543,222
Decrease (increase) in:				
FVPL investments	**123,402**	(119,465)	**31,824**	(80,963)
Receivables	**(169,077)**	(315,329)	**(390,356)**	(77,158)
Inventories	**(344,752)**	31,069	**(60,123)**	(53,531)
Property development in progress	**-**	172,635	**-**	114,010
Investment properties	**-**	2,817	**-**	1,363
Increase (decrease) in:				
Accounts payable and accrued expenses	**75,929**	23,743	**281,099**	155
Retirement benefits payable	**(1,902)**	5,507	**5,363**	1,006
Customer' deposit for property development	**-**	(597,268)	**-**	(312,770)
Net cash generated from operations	**609,220**	727,641	**165,125**	135,334
Dividend received	**251,496**	148,976	**78,429**	79,658
Interest received	**71,891**	64,765	**25,817**	21,330
Interest paid	**(71,019)**	(80,741)	**(24,771)**	(25,706)
Income taxes paid	**(255,017)**	(194,169)	**(3,661)**	(57,510)
Net cash flows from operating activities	**606,571**	666,473	**240,941**	153,107

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**2,098,880**	1,667,461	**587,148**	713,236
Property and equipment	**19,451**	703	**201**	37
Additions to:				
AFS investments	**(1,927,016)**	(1,215,101)	**(566,384)**	(404,165)
Investment properties	**(1,569)**		**(140)**	
Property and equipment	**(193,163)**	(144,536)	**(40,366)**	(63,246)
Decrease (increase) in:				
Prepayments and other assets	**(117,747)**	(78,338)	**(58,629)**	(8,414)
Other noncurrent liabilities	**16,853**	40,691	**(5,168)**	13,425
Advances to affiliates	**(757)**	2,034	**(5,681)**	1,564
Net cash flows from (used in) investing activities	**(105,067)**	272,913	**(89,020)**	252,436
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term debt	**(683,627)**	(478,168)	**(154,945)**	(160,855)
Payment of:				
Notes payable	**(91,948)**	42,802	**(45,155)**	(140,000)
Dividends	**(247,567)**	(234,253)	**(2,912)**	12,265
Purchase of Company shares by a subsidiary	**(95,918)**	(6,768)	**(1)**	-
Increase (decrease) in:				
Deferred revenue	**(226)**	(708)	**(355)**	(425)
Minority interest	**(37,898)**	(8,322)	**14**	60
Net cash flows used in financing activities	**(1,157,185)**	(685,416)	**(203,353)**	(288,954)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**13,326**	(355)	**10,538**	4,910
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(642,355)**	253,615	**(40,894)**	121,499
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,403,740**	1,774,319	**1,802,279**	1,906,435
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,761,385**	2,027,934	**1,761,385**	2,027,934

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	September 30 2017	December 31 2016
ASSETS		
Cash and Cash Equivalents	**828,358**	836,979
Fair Value through Profit and Loss (FVPL) Investments	**670,018**	769,680
Available for Sale (AFS) Investments	**8,974,844**	8,037,467
Receivables - net	**213,953**	160,642
Investments and Advances- net	**7,973,211**	7,872,221
Property and Equipment - net	**22,943**	23,922
Retirement Plan Asset	**51,022**	51,022
Other Assets	**773**	844
TOTAL ASSETS	**18,735,122**	17,752,778
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**193,754**	42,063
Dividends Payable	**239,003**	241,914
Long-term Debt	**1,149,143**	1,566,180
Deferred Income Tax Liabilities - net	**69,465**	60,130
Total Liabilities	**1,651,364**	1,910,288
Equity		
Capital Stock - 1 Par Value	**2,500,000**	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800
Unrealized Valuation Gains on AFS Investments	**2,753,069**	1,861,617
Remeasurement on Retirement Benefits	**28,451**	28,451
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**3,062,439**	2,712,623
Total Equity	**17,083,758**	15,842,490
TOTAL LIABILITIES AND EQUITY	**18,735,122**	17,752,778

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
REVENUE				
Dividend income	**520,312**	403,831	**78,286**	79,658
Interest income	**64,291**	59,920	**21,419**	20,428
Management fees	**50,549**	65,514	**19,175**	22,416
	635,153	529,265	**118,880**	122,503
INVESTMENT GAINS				
Gain on sale of AFS investments	**379,435**	498,677	**124,198**	240,327
Gains on increase in market values of FVPL investments	**12,701**	32,640	**1,913**	11,743
	392,136	531,317	**126,111**	252,070
	1,027,288	1,060,582	**244,991**	374,573
Operating expenses	**(166,831)**	(143,803)	**(29,046)**	(27,689)
Interest expense	**(35,832)**	(41,491)	**(11,878)**	(13,908)
Foreign exchange gain (loss)	**19,041**	(924)	**9,518**	(3,236)
Others - net	**17,923**	12,059	**359**	64
	(165,700)	(174,159)	**(31,047)**	(44,769)
INCOME BEFORE INCOME TAX	**861,588**	886,423	**213,944**	329,804
PROVISION FOR INCOME TAX - NET	**11,772**	12,028	**2,142**	4,988
NET INCOME	**849,816**	874,395	**211,802**	324,816
Earnings Per Share - basic/diluted	**0.34**	0.35	**0.08**	0.13

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
NET INCOME FOR THE PERIOD	**849,816**	874,395	**211,802**	324,816
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on AFS investments	**1,269,912**	1,310,479	**(277,482)**	776,546
Realized gains on sale of AFS investments, net of impairment losses	**(379,435)**	(498,677)	**(124,198)**	(240,327)
Income Tax Effect	**976**	(6,671)	**3,476**	(1,517)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**891,452**	805,131	**(398,203)**	534,702
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**1,741,268**	1,679,526	**(186,401)**	859,518

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings		Total
					Appropriated	Unappropriated	
Balance at 12/31/2015	2,500,000	1,589,800	649,259	32,505	6,300,000	3,058,392	14,129,956
Comprehensive income	-	-	805,131	-	-	874,395	1,679,526
Appropriation of retained earnings	-	-	-	-	100,000	(100,000)	-
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 09/30/2016	**2,500,000**	**1,589,800**	**1,454,390**	**32,505**	**6,400,000**	**3,332,787**	**15,309,482**
Balance at 12/31/2016	2,500,000	1,589,800	1,861,617	28,451	7,150,000	2,712,623	15,842,490
Comprehensive income	-	-	891,452	-	-	849,816	1,741,268
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 09/30/2017	**2,500,000**	**1,589,800**	**2,753,069**	**28,451**	**7,150,000**	**3,062,438**	**17,083,758**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**861,588**	886,423	**213,944**	329,804
Adjustment for:				
Interest expense	**35,832**	41,491	**11,878**	13,908
Depreciation and amortization	**6,578**	6,064	**2,395**	2,379
Dividend income	**(520,312)**	(403,831)	**(78,286)**	(79,658)
Gain on sale of AFS investments	**(379,435)**	(498,677)	**(124,198)**	(240,327)
Interest income	**(64,291)**	(59,920)	**(21,419)**	(20,428)
Unrealized foreign exchange loss (gain)	**(19,041)**	924	**(9,518)**	3,236
Gain on sale of property and equipment	**(17,352)**	(665)	**-**	-
Valuation allowance - net of recovery	**-**	(10,000)	**-**	(10,000)
Gain on increase in market values of FVPL investments	**(12,701)**	(32,640)	**(1,913)**	(11,743)
Operating loss before working capital changes	**(109,133)**	(70,832)	**(7,117)**	(12,829)
Increase in receivables	**(53,310)**	(92,961)	**(88,069)**	(76,068)
Increase in FVPL investments	**123,402**	(112,858)	**31,824**	(81,600)
Increase (decrease) in accounts payable and accrued expenses	**151,691**	(8,754)	**(6,460)**	750
Net cash generated (used in) operations	**112,650**	(285,404)	**(69,822)**	(169,746)
Dividend received	**520,312**	403,831	**78,286**	204,658
Interest received	**65,497**	60,110	**21,929**	20,396
Interest paid	**(35,832)**	(41,491)	**(11,878)**	(13,908)
Income tax paid	**(1,415)**	-	**(485)**	-
Net cash flows from operating activities	**661,211**	137,047	**18,031**	41,399

	Periods Ended September 30		Quarters Ended September 30	
	2017	2016	**2017**	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**2,098,880**	1,641,895	**587,148**	713,248
Property and equipment	**17,616**	703	**264**	37
Additions to:				
AFS investments	**(1,735,089)**	(1,090,001)	**(503,613)**	(383,499)
Property and equipment	**(5,863)**	(1,355)	**(2,441)**	(218)
Increase in:				
Advances to affiliates	**(100,990)**	201,730	**66,718**	239,301
Other assets	**71**	(524)	**240**	(135)
Net cash flows from investing activities	**274,625**	752,447	**148,316**	568,735
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	**(452,858)**	(318,600)	**(114,638)**	(108,563)
Cash dividends	**(502,912)**	(487,735)	**(2,912)**	(241,216)
Notes payable	**-**	69,000	**-**	(140,000)
Net cash flows used in financing activities	**(955,769)**	(737,335)	**(117,549)**	(489,779)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**11,312**	607	**10,082**	3,395
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(8,621)**	152,766	**58,879**	123,751
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**836,979**	443,236	**769,479**	472,251
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**828,358**	596,002	**828,358**	596,002

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations							
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
09/30/2017								
REVENUE	1,833,870	5,168,803	591,271	455,147	1,027,288	9,076,380	(590,094)	**8,486,286**
NET INCOME	89,865	410,949	54,969	243,857	849,816	1,649,456	(539,993)	**1,109,463**
TOTAL ASSETS	1,079,246	3,918,648	1,548,438	13,172,714	18,735,122	38,454,169	(15,909,550)	**22,544,619**
INVESTMENTS PORTFOLIO *	-	12,057	101,640	12,847,147	17,618,073	30,578,918	(18,156,673)	**12,422,245**
PROPERTY & EQUIPMENT	5,424	634,208	766,333	107,295	22,943	1,536,203	1,114,673	**2,650,876**
TOTAL LIABILITIES	458,588	1,378,347	480,451	4,048,348	1,651,364	8,017,098	(3,919,061)	**4,098,038**
DEPRECIATION AND AMORTIZATION	2,015	55,271	74,967	30,100	6,578	168,930	19,988	**188,919**

	Before Eliminations							
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
09/30/2016								
REVENUE	1,864,943	4,710,898	461,162	1,123,780	1,060,582	9,221,364	(608,116)	**8,613,248**
NET INCOME	181,213	549,299	293,490	284,536	874,395	2,182,933	(522,458)	**1,660,475**
TOTAL ASSETS	1,288,960	3,668,471	1,547,596	11,823,709	17,629,838	35,958,574	(14,962,790)	**20,995,784**
INVESTMENTS ASSETS *	-	9,637	93,383	11,504,059	16,717,200	28,324,278	(17,196,594)	**11,127,684**
PROPERTY & EQUIPMENT	4,864	580,791	817,608	101,797	24,981	1,530,042	1,141,324	**2,671,366**
TOTAL LIABILITIES	178,013	1,496,874	522,617	3,872,288	2,320,357	8,390,148	(3,634,983)	**4,755,164**
DEPRECIATION AND AMORTIZATION	3,758	52,269	72,221	20,711	6,064	155,022	19,988	**175,010**

***** ***Inclusive of FVPL investments, AFS investments, advances & investments and investment properties.***

****** ***Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at FVPL) and AFS investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Thousand Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Account Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing

joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a

result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments are not relevant to the Group.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  These amendments do not have any impact on the Group's consolidated financial statements.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and do not have a material impact on the consolidated financial statements. These include:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The

amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

New Accounting Standards, Interpretations and Amendments to
<u>Existing Standards Effective Subsequent to December 31, 2016</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The

Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on

or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Summary of Significant Accounting and Financial Reporting Policies

<u>Basis of Consolidation</u>

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at September 30, 2017 and December 31, 2016:

		Percentage of Ownership	
	Nature of Business	**2017**	2016
A. Soriano Air Corporation	Services/Rental	**100**	100
Pamalican Island Holdings, Inc.	Holding	**62**	62
Island Aviation, Inc.	Air Transport	**62**	62
Anscor Consolidated Corporation	Holding	**100**	100
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	**100**	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100
Lakeroad Corp.	Real Estate Holding	**100**	100
Mainroad Corp.	Real Estate Holding	**100**	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100
Mountainridge Corp.	Real Estate Holding	**100**	100
Rollingview Corp.	Real Estate Holding	**100**	100
Timbercrest Corp.	Real Estate Holding	**100**	100
Anscor International, Inc.	Holding	**100**	100
IQ Healthcare Investments Limited *	Manpower Services	**100**	100
Cirrus Medical Staffing, Inc. (CMSI) *	Manpower Services	**94**	94
Cirrus Holdings USA, LLC *	Manpower Services	**94**	94
Cirrus Allied, LLC *	Manpower Services	**94**	94
NurseTogether, LLC *	Online Community Management	**94**	94

** Subsequently sold on October 19, 2017.*

	Nature of Business	Percentage of Ownership 2017	2016
Phelps Dodge International Philippines, Inc.	Holding	**100**	100
Minuet Realty Corporation	Landholding	**100**	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	**100**	100
PD Energy International Corporation	Wire Manufacturing	**100**	100
Sutton Place Holdings, Inc.	Holding	**100**	100
Cirrus Global, Inc.	Manpower Services	**93**	93
IQ Healthcare Professional Connection, LLC	Manpower Services	**93**	93
AFC Agribusiness Corporation	Real Estate Holding	**81**	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	**62**	62
Pamalican Resort, Inc.	Resort Operations	**62**	62
Summerside Corp.	Investment Holdings	**40**	40

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

<u>Current Versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

<u>Investments in Associates</u>
Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2017**	2016
Associates			
Prople Limited	Business Process Outsourcing	**32**	32
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32
AGP International Holdings Ltd. (AGPI) *	Holding	**27**	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	**21**	21

* *Its associate is engaged in modular steel fabrication.*

In 2016, AI converted its notes receivable from Prople Limited and BM equity. The conversion and additional investment increased the Company's shareholdings, making Prople Limited and BM associates of the Group.

The principal business location of VHI is the Philippines. AGPI, BM and Prople Limited are based in BVI, United States of America and Hongkong, respectively.

<u>Business Combinations and Goodwill</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement
The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of September 30, 2017 and December 31, 2016, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL
The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of September 30, 2017 and December 31, 2016.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in “Gain (loss) on increase (decrease) in market values of FVPL investments”. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of September 30, 2017 and December 31, 2016, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of September 30, 2017 and December 31, 2016.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to employees and other receivables.

(b) AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as "Gain on sale of AFS investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statement of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

As of September 30, 2017 and December 31, 2016, the Group's AFS investments include investment in equity securities and bond and convertible notes.

(c) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of September 30, 2017 and December 31, 2016, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of September 30, 2017 and December 31, 2016, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither

transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities
A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.
Assets carried at amortized cost
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Assets carried at cost

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" account under “Other income (charges) - net” in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of “Interest income” in the consolidated statement of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods
Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Sale of real estate
Revenue of villa lots is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.
Revenue on villa development project
Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services
Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. and UAE hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. and UAE hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer’s Deposit for Property Development

Customers’ deposit for property development, which pertain to advance payment by a villa buyer that is required to start and complete the villa development, is recognized at the fair value of the deposit received. Upon completion of the sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company’s shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company’s shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>
The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

<u>Provisions and Contingencies</u>

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

If at the end of any taxable month the output VAT exceeds the input VAT, the excess shall be paid by the Group. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding month or months. Input VAT on capital goods may, at the option of the Group, be refunded or credited against other internal revenue taxes, subject to certain tax laws.

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of September 30, 2017 and December 31, 2016.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Operating lease commitments - the Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating lease commitments - the Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Financial assets not in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is or not in an active market. Included in the evaluation on whether a financial asset is in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group generally treats significant decline as 30% or more and prolonged decline as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for equities and future cash flows and discount factors for unquoted equities.

Impairment of AFS debt investments
For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment.

Estimation of allowance for inventory and impairment losses
The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Investments carried at equity method
Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of non-financial assets
(a) Property and equipment and investment properties
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended September 30, 2016.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱105.0 million since December 31, 2009 on its investment in Cirrus.

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

Purchase price allocation in business combinations and goodwill
The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to P1,452.5 million based on provisional purchase price allocation. In 2015, the valuation was completed. Final goodwill amounted to P1,202.9 million. The total carrying value of goodwill amounted to P1,896.1 million and P1,889.5 million as of September 30, 2017 and December 31, 2016, respectively.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

   Cash flow interest rate risk

   Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

   Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

   The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

c. Price risk of mutual funds

   The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

d. Foreign currency risks

   Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

e. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market.

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

f. Operating and regulatory risk

CMSI is accredited by the The Joint Commission, a private sector, US-based, not-for-profit organization. This accreditation significantly influences the CMSI's credentialing and documentation processes for the traveling healthcare professionals. The Joint Commission accreditation is deemed as the Gold Seal of Standards for healthcare staffing companies and provides license to transact business with hospitals and association requiring The Joint Commission accreditation. Any changes on the accreditation rules and regulations may adversely affect the CMSI's credentialing and operating procedures and ability to staff qualified healthcare professionals. The CMSI manages its exposure to such risks by conducting internal audits and monitoring new rules and regulations from The Joint Commission.

With respect to its international business segment, the CMSIS is subject to regulations by the US State Department for the immigration of nurses and temporary work visa of therapists to the USA. These governmental regulations significantly influence the Group's ability to deploy nurses and therapists in the USA. The Group manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the US State Department.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries and associate:

a. The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objective through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

   The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

   No changes were made in the objectives, policies or process for the period ended September 30, 2017 and December 31, 2016.

b. Cirrus' and CGI's capital management objectives are:
   - To ensure its ability to continue as a going concern; and
   - To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

   CGI monitors capital on the basis of the carrying amount of equity as presented on the face of its balance sheet.

   CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

6. Financial Instruments

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

(In thousand pesos)	September 30, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds and convertible note	**₱647,675**	**₱647,675**	₱744,616	₱744,616
Funds and equities	**167**	**167**	3,346	3,346
Others	**22,176**	**22,176**	21,719	21,719
	670,018	**670,018**	769,680	769,680
AFS investments:				
Quoted equity shares	**6,631,850**	**6,631,850**	5,671,746	5,671,746
Bonds and convertible note	**879,619**	**879,619**	847,825	847,825
Funds and equities	**452,262**	**452,262**	254,471	254,471
Proprietary shares	**185,810**	**185,810**	184,210	184,210
Unquoted shares	**752,935**	**752,935**	1,097,757	1,097,757
	8,902,476	**8,902,476**	8,056,010	8,056,010
	₱9,572,494	**₱9,572,494**	₱8,825,690	₱8,825,690

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As September 30, 2017 and December 31, 2016, AFS investments amounting to ₱588.8 million and ₱305.2 million, respectively, were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.
- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.

- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:

As of September 30, 2017:

		Fair value measurement using		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Bonds and convertible note	**₱647,675**	**₱647,675**	**₱–**	**₱–**
Funds and equities	**167**	**167**	**–**	**–**
Others	**22,176**	**22,176**	**–**	**–**
	670,018	**670,018**	**–**	**–**
AFS investments:				
Quoted equity shares	**6,631,850**	**6,631,850**	**–**	**–**
Bonds and convertible note	**879,619**	**879,619**	**–**	**–**
Funds and equities	**452,262**	**452,262**	**–**	**–**
Proprietary shares	**185,810**	**185,810**	**–**	**–**
Unquoted shares	**752,935**	**–**	**–**	**752,935**
	8,902,476	**8,149,541**	**–**	**752,935**
	₱9,572,494	**₱8,819,559**	**₱–**	**₱752,935**

As of December 31, 2016:

	Total	Fair value measurement using Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds and convertible note	₱744,616	₱744,616	₱–	₱–
Funds and equities	3,346	3,346	–	–
Others	21,719	21,719	–	–
	769,680	769,680	–	–
AFS investments:				
Quoted equity shares	5,671,746	5,671,746	–	–
Bonds and convertible note	847,825	847,825	–	–
Funds and equities	254,471	254,471	–	–
Proprietary shares	184,210	184,210	–	–
Unquoted shares	1,097,757	-	–	1,097,757
	8,056,010	6,958,252	–	1,097,757
	₱8,825,690	₱7,727,933	₱–	₱1,097,757

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

	Valuation Technique	**Significant unobservable inputs**	**Range**	**Sensitivity of input to fair value**
KSA	DCF Model	Dividend payout is 100.0 million with 5% annual increase	-5% to 10%	-5% fair value of ₱720 10% fair value of ₱804
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱842 30% fair value of ₱655
		Cost of equity of 14%	13% to 15%	13%: fair value of ₱798 15% fair value of ₱703

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	KSA
As at 1 January 2016	₱516
Re–measurement recognized in OCI	–
Realized gains (losses) in profit or loss	–
Unrealized gains (losses) in profit or loss	–
Purchases	237
Reclassified in discontinued operations	–
Transfer into/out of Level 3	–
Sales	–
As at 31 December 2016	753
Re–measurement recognized in OCI	–
Realized gains (losses) in profit or loss	–
Unrealized gains (losses) in profit or loss	–
Purchases	-
Reclassified in discontinued operations	–
Transfer into/out of Level 3	–
Sales	–
As at 30 September 2017	**₱753**

For the periods ended September 30, 2017 and December 31, 2016, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

There was no significant change in the Company's Consolidated Balance Sheet as of September 30, 2017 versus December 31, 2016.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P1.3 billion offset by cash flows from operating activities of P606.6 million.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the net disposal for the period of about P123.4 million offset by the increase of P12.7 million in market value of foreign denominated investment in bonds, stocks and funds and unrealized foreign exchange gain related to foreign denominated investments amounting to P11.0 million

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Receivables
The increase in receivables was mainly due to improved revenues of the US-based staffing and the wire manufacturing businesses.

Inventories
The increase was due to higher level of finished goods and work-in-process inventories of the wire manufacturing subsidiary, offset by issuance/utilization of spare parts and supplies by the aviation and resort subsidiaries.

Prepayments and other current assets
Increase in this account can be attributed mainly to prepaid expenses related to US-based staffing business, manufacturing and resort operations.

Available for Sale (AFS) Investments (Current and Non-current)
Net increase in this account amounted to P1.1 billion. There was an increase in market value of AFS investments of about P0.9 million and net addition to AFS investments of P207.6 million. Unrealized foreign exchange gain recognized for nine months of 2017 amounted to P32.5 million.

Investments and Advances
The increase in investments and advances was mainly due to unrealized foreign exchange gain related to foreign equity investment amounting to P60.9 million.

Goodwill
The goodwill from US-based staffing business decreased by P103.1 million due to write-off of goodwill related to dissolved entities partially offset by foreign exchange gain of P17.1 million from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net
Depreciation charged to operations amounted to P188.9 million while net additions to property and equipment amounted to P191.1 million, mainly attributable to capital expenditures of the manufacturing and resort subsidiaries.

Other Noncurrent Assets
Change in the account balance can be attributed to the increase in fund for villa operation as a source for future maintenance and capex requirements and additional refundable deposits made by aviation subsidiary in relation to the maintenance service plan for its aircrafts.

Notes Payable
The decrease in the account was due to payment of short term loan by Cirrus.

Accounts Payable and Accrued Expenses
The increase was mainly attributable to the recorded liabilities to the suppliers of the resort and wire manufacturing subsidiary.

Dividends Payable
On February 22, 2017, the Parent Company approved the declaration of cash dividends of P0.20 per share to shareholders, which was paid on April 4, 2017. The balance pertained to unencashed checks of stockholders with problematic addresses.

Income Tax Payable
Movement in the account was attributable to income taxes paid during the period by the Group.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to P683.6 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company and subsidiaries when translated to the exchange rate as of September 30, 2017.

Deferred Income Tax Liabilities
Minimal increase in the account was mainly due to the deferred tax effect on the increase in value of AFS & FVPL investments, accrued management fees and unrealized foreign exchange gain.

Other noncurrent liabilities
Increase in the account balance was mainly due to the payment of villa owners for future back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)
This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by P75.6 million.

Unrealized valuation gains on AFS investments (equity portion)
Increase in the account is attributable to the improved market values of AFS investments, mainly traded equities, amounting to P892.2 million from January 1 to September 30, 2017.

Others
There were no commitments for major capital expenditures in 2017.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended September 30	
	2017	*2016*
Revenues (excluding investment gains or losses)	***635,153***	*529,265*
Investment Gains	***392,136***	*531,317*
Net Income	***849,816***	*874,395*
Earnings Per Share	***0.34***	*0.35*
Market Price Per Share (PSE)	***6.97***	*6.10*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues

This year's consolidated gross revenues of P8.5 billion was slightly lower than last year's revenue of P8.6 billion. Sales revenue of PDP Energy, was higher by P457.9 million or 9.7%. Also, resort operations reported improved revenues. These were offset by the decrease in gain on sale of AFS investments and other service revenues.

Cost of Goods Sold/Services Rendered

Increase in cost of goods sold and services rendered was mainly attributable to higher cost of goods and services of the wire manufacturing, nurse staffing business and resort operation due to their increased revenues.

Operating Expenses

The Group reported higher operating expenses for nine months of 2017 mainly due to increased expenses of the Parent Company, PDP, the staffing business and the resort group.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its foreign currency denominated investments in financial assets offset by foreign exchange loss on its dollar denominated loan.

Interest Expense

Amount in 2017 was slightly lower than 2016 due to payment of long-term loan by the parent company and PDP.

Other income (charges) – net

Other charges for 2017 includes write-off of goodwill of entities under Cirrus Group.

Provision for Income Tax - net

The current provision for income tax of the Group slightly declined due lower income tax of PDP, partially offset by increased income tax of Cirrus Medical Staffing for the period ended September 30, 2017.

Noncontrolling Interests (statements of income)

Decrease was mainly due to share of minority shareholders in the lower net income of Seven Seas (no villa sale in 2017), aviation subsidiary and net loss of Cirrus Global, Inc. for nine months of 2017.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,282,524,246 shares of Anscor. During nine months of 2017, Anscorcon purchased 15.1 million Anscor shares amounting P95.9 million.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended September 30	
	2017	*2016*
Volume sold (MT)	**11,683**	*11,449*
Revenue	**5,168,803**	*4,710,898*
Net Income	***410,949***	*549,299*

Volume sold by PDP Energy was higher than last year, metal and other production costs were also higher. As a result, PDP's net income of P411.0 million for nine months of 2017 was lower compared to P549.3 million net profit last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 53.9% for nine months of 2017, higher than the 2016 average occupancy rate of 41.1%. Average room rate was P52,916, lower from last year's average room rate of P55,071. Total hotel revenues amounted to P591.3 million, an improvement from last year's revenues of P461.2 million partially helped by the appreciation of the Philippine peso vis-à-vis US$. Gross operating profit (GOP) of P214.3 million increased by P65.7 million versus 2016's GOP.

Seven Seas reported a consolidated net income of P55.0 million for the nine months of 2017. Last year's net income of P293.5 million included the gain on sale of villa amounting to P300.2 million.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a consolidated operating income of $4.6 million for year to date September 30 2017, higher than last year's operating income of $5.0 million. Gross margin of 27.5% was slightly higher from the 26.5% gross margin posted on the same period last year.

(Please see page 71 on subsequent event.)

12. Financial Indicators

Significant financial indicators of the Group are the following:

		09/30/2017	09/30/2016
1.	Book Value Per Share (Note 1)	**14.74**	12.77
2.	Current Ratio (Note 2)	**3.06**	2.91
3.	Interest Rate Coverage Ratio (Note 3)	**19.47**	25.27
4.	Debt to Equity Ratio (Note 4)	**0.23**	0.30
5.	Asset to Equity Ratio (Note 5)	**1.26**	1.33
6.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**12.7%**	17.7%
7.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**6.0%**	9.7%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	09/30/2017	09/30/2016
1. Volume	**11,683**	11,449
2. Net Sales	**5,168,803**	4,710,898
3. Net income	***410,949***	549,299

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business).

In Thousand Pesos

	09/30/2017	09/30/2016
3. Service income	**1,833,870**	1,864,943
4. Cost of services rendered	**1,329,325**	1,369,861
5. Net Income	**89,865**	181,213

(Please see page 71 on subsequent event.)

Seven Seas Group

In Thousand Pesos

	09/30/2017	09/30/2016
1. Occupancy rate	**53.9%**	41.1%
2. Hotel revenue	**591,271**	461,162
3. Gross operating profit (GOP)	**214,284**	148,573
4. GOP ratio	**36.2%**	32.2%
5. Net income *	**54,969**	293,490

Occupancy rate is based on actual room nights sold over available room nights on a 9-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

* 2016 net income inclusive of gain on sale of 2 villas of P300.2 million.

13. Subsequent Event

On October 19,2017, the Parent company (Anscor) through its wholly-owned British Virgin Island company, IQ Healthcare Investments Limited entered into a Merger Agreement with Webster Capital Management LLC, a US based company, effectively selling Anscor's entire shareholdings in Cirrus Medical Staffing, Inc. (CMS|) equivalent to 93.55% of CMSI's total outstanding shares for total purchase price of US$36.85 million.

CMSI owns 100% of Cirrus Holdings USA, LLC, a North Carolina limited liability company engaged in the contract and temporary staffing and permanent placement of nurses and allied healthcare professionals in the United States and of Cirrus Global Services, Inc., a Philippine domiciled company that provides finance and administrative support services. Anscor acquired CMSI in 2008.

A. Soriano Corporation 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
AG&P International Holdings, Ltd.	27%	Modular Steel Engineering / Construction	British Virgin Island
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	USA
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

Company	Ownership	Business	Jurisdiction
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

Anscor International, Inc.

Financial Statements

For the Years Ended December 31, 2017 and 2016

Prepared By:	Approved By:
SALOME BUHION	**NARCISA VILLAFOR**

ANSCOR INTERNATIONAL INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Cash and Cash Equivalents	**$ 5,169,327**	$ 9,493
Available-for-Sale (AFS) Investments (Notes 3, 4 and 5)	**9,097,759**	5,335,295
Receivables	**92,835**	58,930
Investments and Advances (Note 3, 4 and 6)	**26,165,475**	51,048,426
TOTAL ASSETS	**$ 40,525,397**	$ 56,452,144
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**$ 885,076**	$ 779,243
Due to Stockholder (Note 7)	**49,075,328**	69,877,553
Total Liabiities	**49,960,405**	70,656,796
Equity		
Capital Stock	**1**	1
Deficit	**(9,435,009)**	(14,204,653)
Total Deficit	**(9,435,008)**	(14,204,652)
TOTAL LIABILITIES AND EQUITY	**$ 40,525,397**	$ 56,452,144

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
REVENUES		
Gain (loss) on sale of:		
Long term investment (Note 6)	**$ 11,854,602**	$ -
AFS investment (Note 5)	**-**	(179,097)
Dividend income (Note 6)	**4,217,591**	4,415,315
Interest income	**95,073**	160
Other income	**82,731**	1,962
	16,249,997	4,238,341
Valuation allowances	**(10,830,851)**	(1,463,674)
Operating expenses	**(649,502)**	(1,846,722)
NET INCOME	**4,769,644**	927,945
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE INCOME	**$ 4,769,644**	$ 927,945

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 20167AND 2016

	Capital Stock	Deficit	Total
BALANCE AT DECEMBER 31, 2015	$ 1	$ (15,132,598)	$ (15,132,597)
Total comprehensive income for the year	-	927,945	927,945
BALANCE AT DECEMBER 31, 2016	1	(14,204,653)	(14,204,652)
Total comprehensive income for the year	-	4,769,644	4,769,644
BALANCE AT DECEMBER 31, 2017	**$ 1**	**$ (9,435,009)**	**$ (9,435,008)**

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income	**$ 4,769,644**	$ 927,945
Valuation allowances	**10,830,851**	$ 1,463,674
Gain on sale of long term investment	**(11,854,602)**	
Dividend income	**(4,217,591)**	(4,415,315)
Interest income	**(95,073)**	(160)
Loss on sale of AFS investments	**-**	179,097
Operating loss before working capital changes	**(566,771)**	(1,844,760)
Increase in:		
Receivables	**(33,906)**	35,326
Accounts payable and accrued expenses	**105,833**	-
Net cash used operations	**(494,843)**	(1,809,433)
Dividend received	**4,217,591**	4,415,315
Interest received	**95,073**	160
Net cash flows from operating activities	**3,817,821**	2,606,042
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of long term investment	**26,760,788**	-
Redemption of preferred stock	**-**	3,486,462
Sale of AFS investments	**-**	262,500
Addition to AFS investments	**(4,616,550)**	(3,313,796)
Net cash from investing activities	**22,144,238**	435,166
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to stockholder	**(20,802,225)**	(3,039,707)
Net cash flows used in financing activities	**(20,802,225)**	(3,039,707)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,159,834**	1,501
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,493**	7,992
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 5,169,327**	$ 9,493

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL, INC.
(A Subsidiary of A. Soriano Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Anscor International was incorporated on April 2, 2004 in the British Virgin Islands (BVI) under the International Business Company Act. Cap. 291, primarily to buy, sell, underwrite, invest in, exchange or otherwise acquire, and to hold, manage, develop, deal with turn to account any bonds, debentures, shares, stocks, options, commodities, futures, forward contracts, notes or securities of governments, states, municipalities, public authorities or public or private limited or unlimited companies in any part of the world and to lend money either unsecured or against the security of any of the aforementioned property.

The registered office of the Company is at IFS Chambers, Road Town, Tortola, British Virgin Islands.

The Company is not required to file audited financial statements in BVI.

2. Basis of Preparation

Basis of Preparation

The Company financial statements have been prepared on a historical cost basis, except for securities available-for-sale (AFS) investments that have been measured at fair value. The accompanying financial statements have been prepared using the historical cost basis and are presented in US$, which is the Company's functional and presentation currency, and rounded to the nearest dollar, except otherwise stated.

3. Summary of Significant Accounting Policies

Investments in Subsidiaries and Associates

Investments in Subsidiaries

Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates
Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the financial statements. Dividends received are reflected as income in the statements of income.

The Company's subsidiaries and associates with the respective percentages of ownership as of December 31, 2017 and 2016 follow:

		Country of	**% Equity Interest**	
Name of Subsidiary	**Principal Activities**	**Incorporation**	**2017**	2016
Prople Limited (Prople)	Business Processing Outsourcing	Hongkong	**32**	-
AGP International Holdings, Ltd. (AGPI)	Holding	British Virgin Islands	**27**	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	USA	**21**	13
IQ Healthcare Investments Limited (IQHIL))	Healthcare Services	USA	**-**	94
Cirrus Medical Staffing, Inc. (Cirrus)	Healthcare Services	USA	**-**	94
Cirrus Holdings USA, LLC (Cirrus LLC)	Healthcare Services	USA	**-**	94
Cirrus Allied, LLC (formerly MDI Medicals, LLC; MDI)	Healthcare Services	USA	**-**	94
NurseTogether, LLC (NT)	Online Community Management	USA	**-**	94

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability in the company balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management

determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Classification of financial instruments
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of December 31, 2017 and 2016, the Company has the following categories of financial assets and financial liabilities:

a) Financial assets and financial liabilities at FVPL
This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL
The Company enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the company statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contract as of December 31, 2017 and 2016.

The Company has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the Company balance sheets at fair value. Changes in fair value are recorded as “Gain (loss) on increase (decrease) in market values of FVPL investments” in the Company statements of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such, according to the terms of the contract, or when the right of payment has been established.

As of December 31, 2017 and 2016, the Company has no designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of December 31, 2017 and 2016.

b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the Company statement of income. The losses arising from impairment of such loans and receivables are recognized as “Recoveries (valuation allowances) - net” in the Company statement of income.

Included under loans and receivables are cash and cash equivalents and receivables.

c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS investments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the Company statements of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as “Gain (loss) on sale of AFS investments”. Where the Company holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding debt security AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding equity security AFS investments are recognized as such in the company statements of income when the right of payment has been established.

As of December 31, 2017 and 2016, the Company's AFS investments include investment in equity securities and convertible notes.

d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Company statement of income when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2017 and 2016, included in other financial liabilities are the Company's accounts payable and accrued expenses.

As of December 31, 2017 and 2016, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the Company balance sheets where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the Company balance sheets when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Company statement of income.

Impairment of Financial Assets

The Company assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the Company statements of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" in the Company statement of income.

AFS investments
In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the Company statement of income - is removed from equity and recognized in the Company statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" in the company statement of income. Impairment losses on equity investments are not reversed through the company statement of income. Increases in fair value after impairment are recognized in the company statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the company statement of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the company statement of income, the impairment loss is reversed through the company statement of income.

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the Company statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the company balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the company balance sheets.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding the related taxes.

The following specific recognition criteria must also be met before revenue or cost is recognized:

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Operating expenses
All general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense that are not recognized in Company profit or loss for the year in accordance with PFRS. Other comprehensive income of the Company pertains to gains and losses on remeasuring AFS investments and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Impairment of Non-financial Assets
At each reporting date, the Company assesses whether there is any indication that its non-financial assets (namely, property and equipment) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Company statements of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Capital Stock
Capital stock represents the total par value of the shares issued.

Retained Earnings/Deficit
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Valuation Allowances
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the company statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's position at the end of reporting period (adjusting events) are reflected in the company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to company financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the Company financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the company financial statements.

Determination of functional currency

The Company's functional currency was determined to be US Dollar ($). It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the company balance sheets.

Financial assets not in an active market

The Company classifies financial assets by evaluating, among others, whether the asset is or not in an active market. Included in the evaluation on whether a financial asset is in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates and Assumptions

The key assumptions concerning the future and key sources of estimation and uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables

The Company reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the Company statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Company's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. There is no allowance for doubtful accounts as of December 31, 2017 and 2016.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;

- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Company performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Unquoted equity investments amounted to $11.9 million and $7.2 million as of December 31, 2017 and 2016, respectively.

Impairment of AFS equity investments
The Company recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. In determining whether the decline in value is significant, the Company considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).

AFS equity investments amounted to $11.9 million and $7.2 million as of December 31, 2017 and 2016, respectively.

Impairment of non-financial assets
The Company assesses impairment on its investment in subsidiaries and associates whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or strategy for overall business; and
- significant negative industry or economic trends.

As of December 31, 2017 and 2016, the carrying value of investments in subsidiaries and associates amounted to $47.0 million and $71.9 million, respectively.

5. Available-for-Sale (AFS) Investments

	2017	2016
Unquoted equity shares		
Y-mAbs Therapeutics, Inc.	**3,049,166**	1,750,000
Pacific Synergies Venture Partners Limited	**2,087,142**	2,087,142
Element Data, Inc.	**2,000,000**	-
Madaket, Inc.	**1,000,000**	-
Navegar GP Ltd	**717,149**	644,067
Sierra Madre Philippines I LP	**244,302**	-
Alphion Corporation – net of valuation allowance of $1.9 million in 2017 and 2016	**-**	-
DirectWithHotels - – net of valuation allowance of $0.9 million in 2017	**-**	854,086
	$ 9,097,759	$ 5,335,295

Unquoted investments include the following:

a. In December 2015, IQHPC invested $1.0 million in Y-mAbs Therapeutics, Inc. (YmAbs), a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer.

   On November 10, 2016, IQHPC made additional investments to YmAbs amounting to $0.75 million. In November 2016, IQHPC transferred all its investment of 399,544 shares of common stock in YmAbs to the Company.

   On January 6, 2017 and September 25, 2017, the Company made additional investment to YmAbs amounting to US$0.3 million and US$1.0 million, respectively
   .

b. In May 2017, the Company invested US$1.0 million in equity shares at 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.

c. In June 2017, the Company invested US$1.0 million in Series Seed preferred shares of Element Data, Inc., 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 Company's investment in Behavior Matrix, an associate of the Company.

   In December 2017, the Company invested additional US$1.0 million in Series Seed preferred shares of Element Data.

d. In 2017, the Company entered into an equity 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 in Sierra Madre amounted to US$0.2 million.

e. In March 2009, the Company invested US$900,000 for 387,297 Series E Preference shares of Alphion, convertible into 645,485 shares of common stock. Alphion is a fiber optic network company based in New Jersey, with sales, marketing, procurement and R&D offices in India. Alphion develops, manufactures and markets high-speed fiber optic access and switching systems that enable “triple play” services, or voice, video, and data transmission in a single line.

   In October 2011, the Company made an additional investment in Alphion amounting to US$1,000,000 for 713,158 Series G Preference shares convertible into the same number of common stock and 140,817 series G warrants convertible into the same number of common stock.

6. Investments and Advances

	2017	2016
Investments in subsidiaries and associates		
AGP International Holdings Ltd. – net of valuation allowance of $18.8 million in 2017 and $8.9 million in 2016	**$ 26,165,475**	$ 36,142,240
Prople Limited – net of valuation allowance of $5.3 million in 2017 and 2016	**-**	-
BehaviorMatrix, LLC – net of valuation allowance of $6.8 million in 2017 and 2016	**-**	-
Cirrus	**-**	$ 14,906,186
	$ 26,165,475	$ 51,048,426

The significant transactions involving the company’s investments in subsidiaries and associates for 2017 and 2016 follow:

Cirrus

On October 19, 2017, the company, through its wholly-owned subsidiary, IQHIL, enter into a Merger Agreement with Webster Capital Management LLC, a US-based company, effectively selling the Company’s entire shareholdings in Cirrus equivalent to 93.55% of the latter’s total outstanding shares.

Total gain on disposal of cirrus recognized in the 2017 amounted to $11.9 million.

Cash dividends received by the Company amounted to $4.2 million and 4.4 million for 2017 and 2016, respectively.

AGP International Holdings Ltd. (AGPI)

In December 2011, the Company entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

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, the Company converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, the Company signed a definitive agreement with AGPI 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 the Company's holdings to 27% giving the Company 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 $45.0 million. As at December 31, 2017 and 2016, the carrying value of the investment amounted to $35.0 million and $45.0 million, respectively.

AGPI is looking to raise equity to fund projects as of February 22, 2018. The Company recognized valuation allowance of $10.0 million in 2017.

BehaviorMatrix, LLC (BM)

In October 2011, the Company entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

In July 2015 and March 2014, the Company made additional investment in Predictive amounting to $0.5 million and $1.0 million, respectively, for availment of PEMH's preemptive rights offering.

In March 2016, the Company invested an additional $0.437 million through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and the Company invested an additional $0.814 million for a 20.5% shareholding in BM. The increased ownership allows the company to exercise significant influence over BM.

Prople Limited (Prople)

In November 2013, the Company invested in US$4.0 million convertible notes to Prople Limited. In August 2015, the Company purchased Tranche C notes of Prople amounting to US$0.5 million. These notes are convertible at the option of the holder into common shares of Prople. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippines (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, the Company converted the notes to equity, giving the Company a 32% equity stake and significant influence over Prople.

7. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the ordinary course of business, the Company obtains cash advances from its shareholder, ANSCOR, to finance its working capital requirements and investments in various companies.

	Amount/Volume		Outstanding Balance			
	2017	2016	**2017**	2016	Terms	Condition
Anscor	**$ 4,267,169**	$ 3,788,811	**$ 49,075,328**	$ 69,877,553	Non-interest bearing	Unsecured

8. Financial Instruments and Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, investments in unquoted equity securities, investments in mutual and hedge funds. The Company's other financial instruments include accounts payable, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. These risks are monitored by the Company.

The Company evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Company is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Company is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Company does not have a counterparty that accounts for more than 10% of the company revenues.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Company transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Liquidity risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Company ensures investments have ample liquidity to finance operations and capital requirements.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due.

Market risk
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Company. The Company is exposed primarily to the financial risks of changes in interest rates, foreign currency risk, and equity price risks.
Investments exposed to market risk are equity instruments, and mutual fund/hedge fund investments.

There has been no change to the Company's manner of managing and measuring the risk.

Capital management
The primary objective of the Company's capital management is to ensure an adequate return to its shareholder and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2017 and 2016.

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)

1 2 *Month* **3 1** *Day*

(Fiscal Year)

17-C

(Form Type)

3rd Wednesday of April

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

FEB 22 2017

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. February 22, 2017
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

1200
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9 - Other Event

Item 9. Other Event

a. Date of Stockholders' Meeting, Record Date and Proxy Validation Date

At the regular meeting of the Board of Directors held on February 22, 2017, the following matters were approved:

1. Date of Stockholders' Meeting - **April 19, 2017**
2. Record Date - **March 20, 2017**
3. Proxy Validation Date - **April 10, 2017**

The Stockholders' Meeting will be held at 10:00 A.M. at the Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, Makati City. The proposed agenda for the Stockholders' Meeting are:

1. Approval of the minutes of previous meeting
2. Presentation of the Chairman and Chief Executive Officer's Message to Stockholders
3. Election of the members of the Board of Directors
4. Appointment of external auditors
5. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting
6. Such other business as may properly come before the meeting

b. Declaration of Cash Dividends

The Board of Directors of A. Soriano Corporation (Anscor), in its meeting held today, February 22, 2017, approved a cash dividend of Twenty Centavos (P0.20) per share payable on April 4, 2017 to all stockholders of record as of March 9, 2017.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

February 22, 2017

COVER SHEET

PW-02
SEC Registration Number

A . S O R I A N O   C O R P O R A T I O N

(Company's Full Name)

7/F PACIFIC STAR BUILDING
GIL J. PUYAT AVENUE COR. MAKATI AVE.
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. JOSHUA L. CASTRO
(Contact Person)

819-0251
(Company Telephone Number)

1 2 | **3 1**
Month *Day*
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. March 8, 2017
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

1200
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item No. 9 Other Event (Acquisition of Additional 60,000 shares of iPeople, Inc.)

On March 8, 2017, A. Soriano Corporation ("Anscor") acquired 60,000 additional shares in iPeople, Inc. ("iPeople") at P12.31 per share. With the additional acquisition, Anscor's total direct and indirect shareholdings in iPeople is 82,366,980 shares or around 11.00% of iPeople's total outstanding shares of 748,933,221 shares.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

March 08, 2017

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. March 21, 2017
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

1200
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item No. 9 Other Event (Acquisition of Additional 100,000 shares of iPeople, Inc.)

On March 21, 2017, A. Soriano Corporation ("Anscor") acquired 100,000 additional shares in iPeople, Inc. ("iPeople") at P12.38 per share. With the additional acquisition, Anscor's total direct and indirect shareholdings in iPeople is 82,466,980 shares or around 11.01% of iPeople's total outstanding shares of 748,933,221 shares.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

March 21, 2017

COVER SHEET

P	W	-	0	2						

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)

Every Third Wednesday of April

1	2		3	1

Month *Day*
(Fiscal Year)

1	7	-	C	

(Form Type)

0	4			

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. March 31, 2017
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2

3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

1200
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item No. 9 Other Event (Acquisition of Additional 76,000 shares of iPeople, Inc.)

On March 31, 2017, A. Soriano Corporation ("Anscor") acquired 76,000 additional shares in iPeople, Inc. ("iPeople") at P12.46 per share. With the additional acquisition, Anscor's total direct shareholdings in iPeople is 82,542,980 shares or around 11.02% of iPeople's total outstanding shares of 748,933,221 shares.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

March 31, 2017

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)

Every Third Wednesday of April

12 31

Month *Day*

(Fiscal Year)

17-C

(Form Type)

04

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. April 17, 2017
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
   Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
   Address of issuer's principal office

   1200
   Postal Code

8. 8190251
   Issuer's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item No. 9 Other Event (Acquisition of Additional 61,000 shares of iPeople, Inc.)

On April 11 and 12, 2017, A. Soriano Corporation ("Anscor") acquired additional shares in iPeople, Inc. ("iPeople") as follows:

Date of Purchase	No. of Shares	Price per Share
April 11, 2017	1,000	12.80
April 11, 2017	30,000	12.26
April 12, 2017	30,000	12.78

With the additional acquisition, Anscor's total direct shareholdings in iPeople is 82,603,980 shares or around 11.03% of iPeople's total outstanding shares of 748,933,221 shares.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

April 17, 2017

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)

12 | 31
Month *Day*
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. April 19, 2017
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2   3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave.
corner Makati Avenue, Makati City
Address of issuer's principal office

1209
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item Nos. 4 and 9

Item No. 4 - Resignations, Removal or Election of Registrant's Directors and Officers

At the annual meeting of stockholders of A. Soriano Corporation held on April 19, 2017, the following were elected directors:

1. Mr. Andres Soriano III
2. Mr. Eduardo J. Soriano
3. Mr. Ernest K. Cuyegkeng
4. Mr. Jose C. Ibazeta
5. Mr. John L. Gokongwei Jr.
6. Mr. Oscar J. Hilado
7. Mr. Roberto R. Romulo

Messrs. Oscar J. Hilado and Roberto R. Romulo are independent directors.

At the organizational meeting of the Board of Directors also held on April 19, 2017, the following were appointed executive officers:

Mr. Andres Soriano III	-	Chairman and CEO; President and COO
Mr. Eduardo J. Soriano	-	Vice Chairman & Treasurer
Mr. Ernest K. Cuyegkeng	-	Executive Vice President & Chief Financial Officer
Mr. William H. Ottiger	-	Senior Vice President and Corporate Development Officer
Ms. Narcisa M. Villaflor	-	Vice President & Comptroller
Atty. Lorna Patajo-Kapunan	-	Corporate Secretary
Atty. Joshua L. Castro	-	Vice President & Assistant Corporate Secretary
Ma. Victoria L. Cruz	-	Assistant Vice President
Salome M. Buhion	-	Assistant Vice President

And the following were appointed members of the Audit Committee, Compensation Committee, Executive Committee, and Nomination Committee respectively:

<u>Audit Committee</u>:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

<u>Compensation Committee</u>:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Eduardo J. Soriano	Member

Executive Committee:

Mr. Andres Soriano III	Chairman
Mr. Eduardo J. Soriano	Vice Chairman
Mr. Oscar J. Hilado	Member
Mr. Ernest K. Cuyegkeng	Member
Mr. Jose C. Ibazeta	Member

Nomination Committee:

Mr. Eduardo J. Soriano	Chairman
Mr. Oscar J. Hilado	Member
Mr. Roberto R. Romulo	Member

Item No. 9 - Other Event

At the stockholders meeting held on April 19, 2017, Sycip Gorres Velayo & Co. was reappointed as the Corporation's External Auditor.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

April 19, 2017

COVER SHEET

P	W	-	0	2

SEC Registration Number

A . S O R I A N O C O R P O R A T I O N

(Company's Full Name)

7/ F P A C I F I C S T A R B U I L D I N G
G I L J. P U Y A T A V E N U E C O R. M A K A T I A V E.
M A K A T I C I T Y

(Business Address: No. Street City/Town/Province)

ATTY. JOSHUA L. CASTRO
(Contact Person)

819-0251
(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. July 5, 2017
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
   Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
   Address of issuer's principal office

   1200
   Postal Code

8. 8190251
   Issuer's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item No. 9 Other Event (Sale of Enderun Shares)

On July 5, 2017, A. Soriano Corporation ("Anscor") entered into a Deed of Absolute Sale for the sale of Anscor's entire shareholdings equivalent to 16,216,217 shares of stock in Enderun Colleges, Inc. to Le Penseur, Inc. for a total purchase price of P394,979,482.00.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

July 5, 2017

COVER SHEET

							P	W	-	0	2

SEC Registration Number

A . S O R I A N O   C O R P O R A T I O N

(Company's Full Name)

7/ F   P A C I F I C   S T A R   B U I L D I N G
G I L   J.   P U Y A T   A V E N U E   C O R.   M A K A T I   A V E.
M A K A T I   C I T Y

(Business Address: No. Street City/Town/Province)

ATTY. JOSHUA L. CASTRO
(Contact Person)

819-0251
(Company Telephone Number)

1 2 | 3 1
Month *Day*
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. October 20, 2017
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
   Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
   Address of issuer's principal office

   1200
   Postal Code

8. 8190251
   Issuer's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item 9. Other Event (Sale of Cirrus Medical Staffing, Inc.)

On October 19, 2017, A. Soriano Corporation ("Anscor") through its wholly-owned British Virgin Island company, IQ Healthcare Investments Limited entered into a Merger Agreement with Webster Capital Management LLC, a US based company, effectively selling Anscor's entire shareholdings in Cirrus Medical Staffing, Inc. ("CMSI") equivalent to 93.55% of CMSI's total outstanding shares for total purchase price of US$36.85 Million.

CMSI owns 100% of Cirrus Holdings USA, LLC, a North Carolina limited liability company engaged in the contract and temporary staffing and permanent placement of nurses and allied healthcare professionals in the United States and of Cirrus Global Services, Inc., a Philippine domiciled company that provides finance and administrative support services. Anscor acquired CMSI in 2008.

A. SORIANO CORPORATION

By:

JOSHUA L. CASTRO
Corporate Information Officer