

ANNUAL REPORT **2018**

A. SORIANO CORPORATION

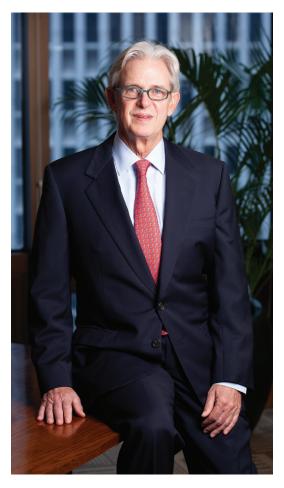


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CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS
The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2018.

Chairman's Message



ANDRES SORIANO III Chairman

THE PHILIPPINE ECONOMIC PICTURE IN 2018

The 6.2 percent growth in gross domestic product (GDP) in 2018 was lower than the 6.7 percent growth experienced in 2017.

Economic activity was dampened by a slowdown in export growth, a widening trade deficit, lower agricultural output and softer household consumption, amid accelerated inflation. The Bangko Sentral ng Pilipinas tightened policy rates by 175 basis points during 2018 to address rising inflation pressure.

However, the overall pace of expansion in 2018 remained healthy, helped by the ramping up of the government infrastructure investment spending, in line with President Duterte's Build, Build, Build infrastructure program.

In 2018, the Philippine Stock Exchange index (PSEi) fell by 12.8% and experienced foreign outflows of US\$1.1 billion. In addition to domestic challenges, broad US dollar strength, a sharp rise in global oil prices and higher interest rates pressured virtually all asset classes.

THE COMPANY'S FINANCIAL PERFORMANCE

The Company's consolidated total revenues decreased from ₱10.6 billion in 2017 to ₱9.8 billion in 2018, while net income attributable to equity holders of the parent dropped from ₱2.5 billion to ₱0.8 billion.

In 2017, the Company realized a gain of ₱1.1 billion from the sale of Cirrus Medical Staffing and ₱83.8 million from the divestment in Enderun Colleges, Inc. There was no comparable sale of investments in 2018.

The Philippine Financial Reporting Standards (PFRS) 9 accounting standard became effective on January 1, 2018. Upon adoption of this new standard, any change in the market value of your Company's equity investments, mainly publicly traded securities, from the end of the previous reporting period to the end of the current one, is presented as income or loss, irrespective of whether the shares have not been sold or are core portfolio holdings for the long term.

As a result, the ₱1.6 billion of net income reported for 2017, under the old accounting standard, was adjusted to a net income attributable to equity holders of the parent of ₱2.5 billion, of which ₱0.9 billion pertained to an increase in the value of equity investments as of the end of December 2017 versus prices at the end of December 2016.

In 2018, Anscor booked a loss of ₱177.2 million due to the decline in market value of its equity investments for the calendar year 2018, compared to the previous year. With the adoption of the new PFRS 9 accounting standard, these unrealized losses were reflected in the income statement.

Our core investments in PSE-traded shares are concentrated in local and international port services, infrastructure, education, and gaming; sectors that all stand to benefit from continued economic expansion. The intrinsic values of these shares are higher than their stock prices as of December 31, 2018 and greater than their original acquisition cost by ₱1.8 billion.

The reported loss from traded shares was offset by higher interest income, foreign exchange gain, management fees and excellent performances of Phelps Dodge International Philippines, Inc. and Pamalican Resort, Inc. that registered higher revenues and net profits.

The loan balance of the parent company at the end of December 2018 was US\$11.2 million, that will be fully paid by the first quarter of 2020. The book value per share of Anscor increased from ₱15.06 to ₱15.32 as of December 31, 2018.

A dividend of ₱0.50 per share, ₱0.20 per share regular and ₱0.30 per share special, was paid on April 18, 2018.

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

The sustained growth in the construction industry and the infrastructure spending underpinned the continued strong performance of PDP. Fixed investment remains strong.

The aggressive expansion PDP embarked on several years ago has borne fruit and bolstered the company's financial performance in 2018. Revenue reached ₱8.3 billion, a 15% increase from last year and net profit grew 17% to ₱636.4 million, helped by higher copper prices and increased unit sales in its dealer network, construction projects and wins in the utility segment.

PDP continues to make significant progress in transforming its organization from a provider of goods to a provider of solutions to its customers and partners. The company continues to gain new customers in the form of entrepreneurs who understand its value propositions, mainstay developers who seek innovations and cost effective solutions, and partner dealers who understand PDP's ability to help them improve their sales and profits.

During the year, PDP paid Anscor a cash dividend and a management fee of ₱250.0 million and ₱77.6 million, respectively. Return on equity continues to be high.

The company continues efforts to improve delivery performance, machine efficiency and cost savings; and maintained its safety achievement of a zero-recordable incident record in 2018. PDP's renewed procurement system substantially reduced spare parts inventory, consequently easing the working capital requirement.

Over the coming years, PDP will continue to expand its distribution reach through new dealers and distributors, work with existing dealers to grow their businesses and aggressively seek new products and services to reduce the cost for contractors and developers.





SEVEN SEAS RESORTS AND LEISURE, INC. (owner of Amanpulo Resort)

The year 2018 was the 25th anniversary of Amanpulo. It also proudly achieved its goal of being a one-billion-peso business.

Average occupancy increased from 55.2% to 58.8% with 8,590 room nights sold versus last year's 8,062. United Kingdom and European markets posted a 19% growth, while the Asian markets grew by 4%. Revenues reached ₱1.1 billion or 28% higher than last year, with an average room rate of US\$1,205, a 14% escalation from 2017.

The depreciation of the Philippine peso against the US dollar also contributed to the higher revenue. The 2018 gross operating profit (GOP) amounted to ₱509.3 million as compared to ₱332.8 million in 2017. The revenue increase translated to a 53% growth in GOP and a 126% increase in net profit versus last year.

In 2018, the very first Kite and Surf Centre in the Aman Group began operations, adding a new source of revenue and guest experience, in addition to kayaking and stand up paddle boarding. Restoring ecosystem balance continues to be given a priority as witnessed by the building of seawalls to control beach erosion, the propagation of coral reefs and protecting the water from venomous crown-of-thorns starfish.

The joy of the Resort's 25th anniversary was shared with elementary school children of Manamoc Island when "Jollibee Day" was celebrated, which was made possible with the help of generous sponsors.

The Resort's service excellence was recognized when it was awarded by Gallivanter's Guide as the "Second Best Resort Hotel Worldwide" and "the Philippines' Best Resort Spa 2018" by World Spa Awards. Amanpulo's Kawayan Bar was voted by Conde Nast as the "Best Bar in the World."

AGP GROUP HOLDINGS PTE LTD. (AG&P)

In 2018, the company delivered a total revenue of US\$24.3 million. 2018 was a transition year for AG&P as it became a fully integrated gas logistics and construction business. A net loss of US\$18.7 million was recognized in 2018 as against a net income of US\$16.9 million in 2017.

More notably, the company secured several major wins which place it in a strong position in the coming years. In particular, AG&P won exclusive concessions to market, build infrastructure, and distribute natural gas to five major cities in India, covering a total population of thirty million people. AG&P continues to develop LNG terminal projects around the world. Several of these are now in advance development, and are expected to reach financial close over the course of 2019. Further, AG&P secured several large construction projects in the Philippines and overseas, and has continued to grow its contracted backlog as its customers invest in expansion projects.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

At the end of 2018, ATRAM had assets under management of around ₱107.1 billion, slightly below that of year end 2017. While ATRAM continued to see positive flows from its clients, these were not enough to offset the effects of the market downturn experienced globally last year.

Despite 2018 being a challenging year, ATRAM expanded with new mandates and business partners and maintained its journey of constant improvement and innovation. In the Unit Investment Trust Funds area, the ATRAM Global Technology Feeder Fund was launched. ATRAM was also first to offer unit-paying funds to the market.

Starting a digital transformation initiative will allow ATRAM to reach a wider audience, provide improved products and services and further streamline its processes. Seedbox, ATRAM's digital wealth platform, hit new milestones, growing its user base from 3,000 to 72,000 during the year. Seedbox expects to continue growing its customer base in 2019 as it broadens its product offering.

The Asset, a financial magazine for asset managers across the globe, awarded ATRAM in 2018 the "Highly Commended" designation under the Philippine Fund Management category.

KSA REALTY CORPORATION (owner of The Enterprise Center)

The Enterprise Center's (TEC) strategic location in the Makati Business District and prime building facilities, continued to be an advantage, as 60% of its expiring leases were renewed or assumed by existing tenants and 36% were taken up by new tenants. Only 6% of the leases up for renewal in 2018 remained in inventory by the end of 2018. Average occupancy for the year was 96%, increasing to 98% by year end.

The 2018's gross rental revenue of ₱1.3 billion and net income of ₱964.0 million, before revaluation gain, were the highest in KSA's history, since it began operations in 1999. By year end, TEC's average rental rate was ₱1,320 per square meter,

5% higher than the average rental rate at the end of 2017. Gross revenue was 5% higher while net income before revaluation gain was 3% higher than last year.

KSA declared a cash dividend of ₱1.1 billion, which was the highest in its history, ₱151.4 million of which was paid to Anscor.

STARTUP AND PRIVATE EQUITY VENTURES

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

In 2018, Anscor invested US\$5.0 million in Macquarie ASEAN Technology Investments Holdings II LP, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. Grab is the leading on-demand transportation provider in Southeast Asia with over 80% market share across seven countries, including the Philippines. Grab's core ride-sharing business has massive scale and was significantly derisked after its acquisition of Uber's Southeast Asian operations.

Anscor, through a wholly-owned subsidiary, began investing in Y-mAbs Therapeutics, Inc. in late 2015. Y-mAbs is a US-based clinical stage biopharmaceutical company focused on developing new cancer treatments through immunotherapies. Its goal is to drive multiple-product candidates in select cancers through Food and Drug Administration licensure and production and sale thereafter. It has two pivotal-stage product candidates – naxitamab and omburtamab – both with FDA Breakthrough Therapy Designation. Each product has the potential to treat a variety of high-risk cancers.



In September 2018, Anscor further invested US\$2.3 million before Y-mAbs' successful US\$110 million initial public offering (IPO) on the NASDAQ (Ticker: YMAB). Total cost of investment in Y-mAbs amounted to US\$5.3 million. Anscor recognized an unrealized gain of US\$8.6 million for this investment based on its market price of US\$20.34 per share as of December 31, 2018.

In August 2018, Anscor provided a US\$4.5 million convertible loan to **Power Source Holdings, Inc.**Power Source is a developer of renewable, off-grid power plants and currently owns a 20-Megawatt Hybrid power plant in Iligan, Lanao del Norte, five micro grids in Palawan and Cebu, and provides technical services to several large power plants. It is also actively exploring domestic solar opportunities. Anscor is currently conducting financial and legal due diligence on Power Source to potentially become an equity investor.

Other early stage investments include:

Element Data, Inc. is a Seattle, Washington-based Artificial Intelligence Company with a decision intelligence platform that incorporates a deep learning knowledge-graph with an active sense and response architecture. This platform powers a decision intelligence engine that understands complex interdependencies between data and people.

Madaket, Inc. is an innovative US software service platform that automates healthcare provider data management processes. It has 1.2 million providers under contract for Electronic Data Interchange Enrollment.

Medifi Medtech Solution (USA) Limited is a Philippine-based online healthcare platform that connects doctors and patients.

CORPORATE SOCIAL RESPONSIBILITY

The Andres Soriano Foundation, Inc., now on its 50th year, funds projects focused on the environment, health, education, and community organizations through its **Small Islands Sustainable Development Program** in Northeastern Palawan.

The Foundation's **Cancer Care Program** supports breast cancer patients by providing their maintenance chemotherapy medicines. ASF partnered with five pharmaceutical companies to train seven oncology fellows at the Cancer Institute at the University of the Philippines-Philippine General Hospital (UP-PGH).

OUTLOOK

For 2019, the consensus forecast is for the country's GDP to rise, albeit at a slower pace than last year's growth, due to global headwinds. These include the impact of the US-China trade war, the slowdown in global electronics, and the weakening pace of economic growth in the European Union, which remains an important export market, accounting for 14 percent of total Philippine merchandise exports.

Your Management will monitor the economic climate and maintain flexibility to adjust to market conditions affecting its existing and new investments.

Challenges define a company's character and strength. Anscor will remain on course, undeterred, as it continually seeks strategic opportunities for the Company to further grow and evolve.

ACKNOWLEDGMENT

Your Management wishes to acknowledge and thank Mr. Eduardo J. Soriano (EJS) who retired as your Company's Treasurer and Executive Officer effective September 7, 2018, after rendering 45 years of service and an instrumental influence in the success of Anscor. From us all, thank you EJS.

Our sincere gratitude to our shareholders for your continued trust, confidence and support. To our employees, thank you for your commitment and loyalty. To the members of our Board of Directors, our appreciation and thanks for the oversight and quidance.

THE ANDRES SORIANO FOUNDATION, INC.

Fifty Years of Continuing Commitment to Social Development

Beyond Giving and Doing It Well

The words of the late Col. Andres Soriano are vibrant - and even more so today - 50 years later, in what is the corporate philosophy of The Andres Soriano Foundation, Inc. (ASF).

He said, "A company must balance profit with honor... financial stability coupled with extraordinary public service, aligned to the national welfare." He saw the need for an alignment of people, planet and profit for socially responsible companies to operate, with both viability and service as inseparable. From its beginnings as a private social development organization in 1968, the Foundation's dedication to sustained programs for the unserved and underserved has aimed to bring growth and an improved quality of life to its recipient communities especially in areas where the company is present.

ASF is recognized in the social development community as one of the very few corporate foundations that directly implement a holistic community-based development program. It is also recognized as having pioneered in the field of cancer care programs. ASF has maintained its standing with the Department of Social Welfare and Development as a social welfare and development agency for 17 years and accreditation from the Philippine Council for NGO Certification for 20 years.

Its evolution can be summed up in these four periods: 1968 to 1975 - the Birth of the Foundation and the establishment of the Family's Corporate Philanthropy and spearheaded the foundation of Philippine Business for Social Progress; 1976 to 1986 - the integration of Social Development into the Group's Corporate Culture; 1987 to 1999 - a time of Growth, Expansion, Spin-offs and Mergers; and 2000 to the present - the emergence of One Foundation, One Vision and One Mission.

"A company must balance profit with honor... financial stability coupled with extraordinary public service, aligned to the national welfare"



SMALL ISLAND SUSTAINABLE DEVELOPMENT

Environmental protection, livelihood projects, medical missions,-health services and educational scholarships are the lead undertakings for communities in small islands in Cuyo and the Quiniluban Group of Islands in Palawan.

The Environment Protection Program focuses on food security through sustainable management of 10 fish sanctuaries in the ASF-assisted small island communities. Over a hundred local ocean watch volunteers patrolled the seas for a total of 179,345 hours over 15 years to deter illegal fishing that threatened the food supply and livelihood of coastal communities. More than 200 hectares of mangrove forests have been protected with another 27 hectares reforested across 10 island communities over the last 20 years.

In the 1970s until mid-1990s, ASF focused on Program Development and Management Assistance, used a sustainable approach that created among its partners and stakeholders capabilities leading to competencies rather than mere dependence. It provided various organizations and programs with technical assistance and management expertise of proven business models, to help fill the lack of effective social development project managers. These proved essential in building capacities and enabling growth of communities through 12 social development institutions operating in poverty-stricken communities and where Anscor has a corporate presence. This soon expanded to the provinces of Davao and Surigao in Mindanao; Negros Occidental, Iloilo and Cebu in the Visayas; and Metro Manila, Pampanga, Zambales, Southern Tagalog and Palawan in Luzon.

By the 1990s, ASF ceded the management of all but two of its institutions, the Andres Soriano Jr. Foundation and the Andres Soriano Cancer Research Foundation. Their programs and projects continued through the implementation of the Small Island Sustainable Development for holistic community-based initiatives in Northeastern Palawan; the Cancer Care Program for medical breakthroughs in cancer research and treatment; and Disaster Relief and Rehabilitation for affected marginalized communities through provision of immediate supplies and restoration of basic services.

The Livelihood Program has promoted and supported environment-friendly micro-enterprises such as those related to organic farming, poultry and livestock. This has improved and diversified income opportunities for our communities. Using indigenous raw materials, six island communities are engaged in producing hand-crafted products from pandan and buri leaves, cogon, coconut shells and bamboos. These local producers are assisted in developing and marketing their products locally and in Manila.

Over the past 12 years, the annual flagship project, the Health Caravan/Medical Mission has adopted the town of Agutaya and the island of Manamoc in Palawan. It has provided over 32,300 free medical services through 168 volunteer doctors for more than 25,350 adults and children. More than 3,500 children between the ages of two to nine years old received supplementary meals. In addition, midwives and community health volunteers are trained in the delivery of health services in the island villages. They have been provided with the latest mobile health technology on safe delivery to help during emergency delivery procedures. This program has received recognition from the Department of Health and will be rolled out in other provinces.

Its Education Program includes scholarships for both formal academic and technicalvocational learning; training of pre-school teachers; building, rebuilding and repairing classrooms, child development centers, school laboratories; and provision of supplementary books and school equipment. It has provided scholarship for numerous high school, 43 technical-vocational, 50 college and 4 graduate students. Seventy-five percent (75%) of all graduates are employed, with the majority returning to their hometowns to join the local pool of professional and skilled workers.



ASF has built 90 classroom structures, the latest of which is the ₱17.0 million tourism-related Technical-Vocational Laboratory Facilities for a senior high school in Barangay Manamoc, Cuyo.

CANCER CARE PROGRAM

In the 1970s, the Foundation pioneered the Cancer Research, Training and Oncology Fellowship Program in the Philippines, encouraging Filipino doctors to become involved in cancer research, treatment and management. ASF supported eight internationally and 37 locally trained research fellows, seven of whom are currently training at the Cancer Institute in UP-PGH. The research component was integrated in the fellowship program to engage in or support studies on cancer prevention and cure. A milestone in this initiative was the establishment and support of three Cancer Registries, one each in Luzon, Visayas and Mindanao.

ASF pioneered the Specialized Nursing Oncology Course in partnership with a local medical school in the Visayas where 22 registered nurses graduated after one year. The nursing oncology curriculum was eventually adopted by that medical school for its graduate studies in nursing.

The Andres Soriano Memorial Lecture Series is widely acclaimed among oncology practitioners for providing the latest knowledge on cancer treatment and management practiced by experts in the field around the world. There have been a total of 29 lecture series presented in major cities all over the archipelago since the start of the program.

The Foundation was a principal proponent resulting in the full renovation and transformation of the 50-year old X-Ray and Radiotherapy Building at the Philippine General Hospital, into the Cancer Institute, UP-PGH. Today it is a one-stop center for cancer treatment and management where thousands of patients from all over the country are treated.

This year, ASF will be donating to the Institute, a mobile infusion facility with the generosity of Johnson and Johnson, Philippines to offer a mobile chemotherapy treatment.

The Foundation continues to provide the maintenance medicine to support 55 indigent breast cancer patients every year in completing the full protocol of five years.

DISASTER RELIEF AND REHABILITATION

ASF participates in relief and rehabilitation efforts in times of calamity like those in the 1972 flood in Central Luzon, 1990 earthquake in Northern and Central Luzon, 1991 Mt. Pinatubo eruption, 2004 landslide in Quezon, 2007 Typhoon Peping in Bicol, 2009 Typhoon Ondoy in Metro Manila, 2012 Typhoon Pablo in Compostela Valley, 2013 earthquake in Bohol and 2013 Super Typhoon Yolanda in Visayas and Northern Palawan.

Today in our 50th Anniversary, our stakeholders include the most vulnerable sectors of Philippine Society, professionals, local government units, our generous donors and volunteers and most importantly our dedicated staff and practitioners. The Foundation is proud for the opportunity given to us to serve. Thank you for your continuing faith in us.

Financial Highlights

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

CONSOLIDATED FOR THE YEAR	2018	2017	2016
REVENUES	9,781.0	10,584.6	9,883.8
Sale of goods	8,292.5	7,189.0	6,608.2
Services	1,314.7	1,059.8	911.0
Dividend income	301.8	270.7	218.8
Interest income	109.5	98.9	93.6
Gain on increase in market values of fair value through profit or loss investments	33.5	1,351.5	1,139.2
Equity in net losses of associates - net of valuation alowance	(262.2)	(497.1)	(72.8)
Gain (loss) on disposal of subsidiaries	(6.1)	1,097.9	343.2
Gain (loss) on sale of fair value through other comprehesive income investments	(2.7)	13.9	8.8
Sale of real estate	-	-	633.9
NET INCOME*	808.4	2,547.5	2,682.6
EARNINGS PER SHARE**	0.67	2.08	2.18

CONSOLIDATED AT YEAR-END	2018	2017	2016
Total Assets	22,290.0	22,346.2	21,482.1
Equity Attributable to Equity Holders of the Parent	18,575.9	18,332.5	16,189.3
Investment Portfolio	13,253.6	13,339.1	13,144.9
Current Ratio	7.48	8.43	6.61
Debt to Equity Ratio	0.17	0.19	0.30
Book Value Per Share***	15.32	15.06	13.13

Attributable to equity holders of the parent.

Based on weighted average number of shares of 1,215.5 million in 2018, 1,224.2 million in 2017 and 1,232.7 million in 2016.

Based on outstanding shares of 1,211.9 million, 1,217.2 million and 1,232.6 million as of December 31, 2018, 2017 and 2016, 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	
2018	808.4	18,575.9	1,215.5	0.67	15.32	
2017	2,547.5	18,332.5	1,224.2	2.08	15.06	
2016	2,682.6	16,189.3	1,232.7	2.18	13.13	
2015	1,965.6	13,563.0	1,244.6	1.58	10.99	
2014	1,643.5	14,835.2	1,254.0	1.31	11.94	

YEAR	GROSS ***REVENUE	TOTAL ***ASSETS	INVESTMENT PORTFOLIO	
2018	9,781.0	22,290.0	13,253.6	
2017	10,584.6	22,346.2	13,339.1	
2016	9,883.8	21,482.1	13,144.9	
2015	11,338.1	19,552.4	11,859.4	
2014	3,437.2	21,426.4	14,310.0	

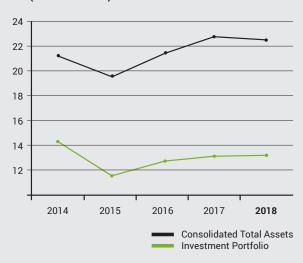
^{*} Ratio of net income attributable to equity holders of the parent to weighted average number of shares outstanding during the year.

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

^{*** 2016, 2017} and 2018 included PDP Group's gross revenues and total assets.

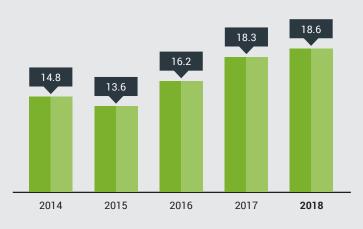
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO

(In Billion Pesos)



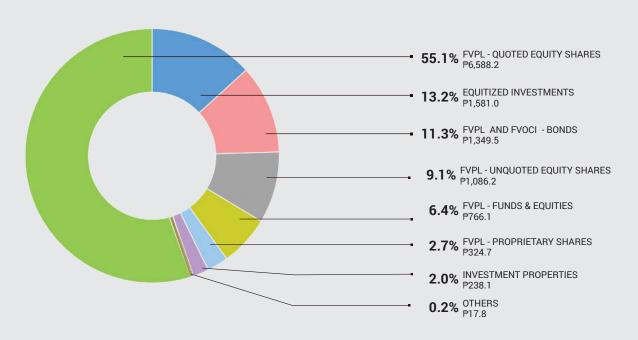
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(In Billion Pesos)



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2018

(In Million Pesos)





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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, 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 21st day of February 2019

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

SUBSCRIBED AND SWORN to before me this 21st day of February 2019, affiants exhibited to me the following:

NAME
Andres Soriano III
Ernest K. Cuyegkeng

PASSPORT NO. 506368805 EC3327271 DATE & PLACE ISSUED

Jan. 14 2015 to Jan 13, 2025/ U.S.

Jan. 31, 2015 to Jan. 30. 2020/Manila

Doc. No. 290; Page No. 59; Book No. I; Series of 2019.

ATTY. KIRSTEN ERI**k**A A. CASA
Appointment No. M-143
Notary Public for Makati City until December 31, 2019
Liberty Center, 104 H.V. dela Costa Street, Makati City
Roll No. 69265

PTR No. 7339305; Makati City; Jan. 6, 2019 IBP No. LRN002560 RSM 5112017



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, October 4, 2018, valid until August 24, 2021 SEC Accreditation No. 0012-FR-5 (Group A), November 6, 2018 valid until November 5, 2021

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, 2018 and 2017, and the 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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

The goodwill arising from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc. as described in Note 7 to the consolidated financial statements amounted to ₱1,302.3 million as at December 31, 2018 and is considered significant to the consolidated financial statements. Under the PFRSs, the Group is required to annually test the amount of goodwill for impairment. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimated recoverable amount to management's assumptions and judgments. 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 (CGUs).

Audit Response

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 2018, the Group identified indicators of possible impairment in its investment in an associate and, as required in PFRSs, assessed the recoverability of its investment based on management's estimated expected cash flows from the operations of the associate, judgment over the appropriate valuation model and valuation assumptions such as discount rate and long-term growth rate. The investment in the associate, as disclosed in Note 14 to the consolidated financial statements, amounted to \$\P1,274.8\$ million as at December 31, 2018, which is material to the consolidated financial statements.

Audit Response

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 discount rate and long-term growth rate. 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.

Classification and Fair Valuation of Equity Investments

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*, using full retrospective approach. This significantly affected the classification and measurement of the Group's equity investments which have a carrying value of ₱8,782.7 million (₱1,086.2 million of which pertains to unquoted equity investments) as at December 31, 2018. We considered the classification and fair valuation of the equity investments as a key audit matter because of the materiality of the amount involved, the significant judgment applied in determining the classification of equity instruments not held for trading and in selecting valuation techniques for unquoted equity instruments, and the significant assumptions used in estimating future cash flows from its unquoted equity investments. The Group's disclosures about its equity investments and the restatement of prior year balances in relation to the adoption of PFRS 9 are included in Notes 2 and 10 to the consolidated financial statements.

Audit Response

We reviewed the transition adjustment related to the classification of the equity investments upon the adoption of PFRS 9. We involved our internal specialist in evaluating the valuation technique and the assumptions used. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. For investments valued using the income approach, we compared the revenue growth rates to the historical performance of the investments. For investments valued under the market approach, we reviewed the comparable companies used in the valuation. For private equity fund investments valued under the cost approach (adjusted net asset value method), we reviewed the financial information of the investees and checked if the financial information used reflects the fair values of the investee's assets and liabilities.

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 33 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 obtained updates from the management and the third party tax consultant on the status of the examinations by tax authorities. In addition, we obtained correspondences with the relevant tax authorities.

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, 2018, 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, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether
 due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a
 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve
 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of
 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based
 on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may
 cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material
 uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the
 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions
 are based on the audit evidence obtained up to the date of our auditor's report. However, future events or
 conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including
 the disclosures, and whether the consolidated financial statements represent the underlying transactions
 and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business
 activities within the Group to express an opinion on the consolidated financial statements. We are
 responsible for the direction, supervision and performance of the audit. We remain solely responsible for
 our audit opinion.

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

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

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

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

SEC Accreditation No. 0780-AR-3 (Group A),

Julie Christini O. Mater

August 16, 2018, valid until August 15, 2021

Tax Identification No. 198-819-116

BIR Accreditation No. 08-001998-68-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332594, January 3, 2019, Makati City

Consolidated Balance Sheets

	Decen	January 1		
		2017	2017	
		(As restated -	(As restated -	
	2018	Note 2)	Note 2)	
ASSETS				
Current Assets				
Cash and cash equivalents (Note 9)	2,765,515,066	₱ 3,255,534,668	₱ 2,403,739,518	
Fair value through profit or loss (FVPL)				
investments (Notes 2, 10 and 20)	9,437,947,486	9,545,696,072	8,231,371,187	
Receivables (Note 11)	2,270,241,689	1,783,448,898	2,167,501,893	
Inventories (Note 12)	1,030,460,829	817,360,103	683,916,919	
Property development in progress (Note 31)	3,177,197	3,177,197	3,177,197	
Fair value through other comprehensive income				
(FVOCI) investments - current (Notes 2 and 13)	15,419,085	30,165,459	47,728,517	
Prepayments	29,004,363	18,036,082	18,676,972	
Other current assets	16,061,836	50,188,780	151,400,689	
Total Current Assets	15,567,827,551	15,503,607,259	13,707,512,892	
Noncurrent Assets				
FVOCI investments - net of current portion				
(Notes 2 and 13)	678,904,133	654,334,642	800,096,535	
Investments and advances (Note 14)	1,581,844,482	1,651,840,135	1,943,573,979	
Goodwill (Note 7)	1,302,276,264	1,302,276,264	1,889,496,064	
Property and equipment (Notes 15 and 20)	2,560,830,437	2,668,188,799	2,648,731,039	
Investment properties (Note 16)	238,104,974	236,521,635	234,877,835	
Retirement plan asset - net (Note 25)	65,391,589	93,706,684	60,191,266	
Deferred income tax assets - net (Note 26)	75,512,542	61,082,479	62,304,841	
Other noncurrent assets (Notes 17 and 31)	219,319,383	174,638,426	135,339,564	
Total Noncurrent Assets	6,722,183,804	6,842,589,064	7,774,611,123	
TOTAL ASSETS	₱22,290,011,355	₱22,346,196,323	₱ 21,482,124,015	
1017127100210	1 22,230,011,000	1 22,0 10,130,020	1 21,102,121,010	
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable (Note 18)	250,000,000	₱ -	₱ 91,948,200	
Accounts payable and accrued expenses				
(Notes 19 and 33)	807,180,815	908,931,327	969,798,809	
Dividends payable (Note 21)	285,828,593	252,554,370	242,208,406	
Income tax payable	103,460,263	65,633,131	141,744,752	
Current portion of long-term debt (Note 20)	635,690,371	611,283,871	629,350,200	
Total Current Liabilities	2,082,160,042	1,838,402,699	2,075,050,367	

(Forward)

Consolidated Balance Sheets

	Decen	January 1	
		2017	2017
		(As restated -	(As restated -
	2018	Note 2)	Note 2)
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 20)	₱ 502,397,329	₱ 1,107,440,450	₱ 1,916,231,143
Deferred revenues (Note 31)	-	9,469,328	8,601,560
Deferred income tax liabilities - net (Note 26)	449,755,161	420,514,319	600,160,058
Retirement benefits payable - net (Note 25)	12,858,113	9,184,074	4,211,769
Other noncurrent liabilities (Notes 17 and 31)	143,405,664	170,050,058	175,746,074
Total Noncurrent Liabilities	1,108,416,267	1,716,658,229	2,704,950,604
Total Liabilities	3,190,576,309	3,555,060,928	4,780,000,971
Equity Attributable to Equity Holders			
of the Parent (Note 21)			
Capital stock - ₱1 par value	2,500,000,000	2,500,000,000	2,500,000,000
Additional paid-in capital	1,605,613,566	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	385,512,775	295,582,321	380,244,251
Unrealized valuation gains (losses) on FVOCI			
investments (Notes 2 and 13)	(8,128,524)	14,157,787	11,740,571
Remeasurement on retirement benefits (Note 25)	39,853,028	57,994,622	37,608,665
Retained earnings:			
Appropriated (Note 21)	7,150,000,000	7,150,000,000	7,150,000,000
Unappropriated (Notes 2 and 21)	9,259,613,912	9,059,813,726	6,756,716,458
Cost of shares held by a subsidiary			
(1,288,088,646 shares and 1,282,826,746 shares			
in 2018 and 2017, respectively) (Note 21)	(2,356,555,826)	(2,324,314,735)	(2,226,272,975)
	18,575,908,931	18,332,490,744	16,189,293,993
Noncontrolling Interests (Note 3)	523,526,115	458,644,651	512,829,051
Total Equity	19,099,435,046	18,791,135,395	16,702,123,044
		B00046106555	B 01 400 104 55 5
TOTAL LIABILITIES AND EQUITY	₱22,290,011,355	₱22,346,196,323	₱ 21,482,124,015

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

REVENUES			Years Ended December 31				
REVENUES Rote 20 Note 20 Sale of goods - net (Notes 2 and 5) P 8,292,508,630 P 7,188,994,574 P 6,608,154,597 Services (Notes 2, 5 and 31) 1,314,704,847 1,059,796,204 910,979,232 Dividend income (Note 10) 301,777,821 270,687,177 218,797,811 Equity in net losses - net of valuation allowance (Note 14) (262,184,140) (497,099,065) (72,773,871) Interest income (Notes 9, 10,13 and 24) 109,516,147 98,877,355 93,555,443 Sale of real estate (Note 31) 9,756,323,305 8,121,256,245 8,392,625,550 INVESTMENT GAINS (LOSSES) Gain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 Gain (loss) on sale of FVOCI investments (2,700,602) 13,932,565 8,786,673 TOTAL 9,781,004,737 10,584,556,793 9,883,753,984 Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (437,508			2017	2016			
REVENUES Review (Notes 2 and 5) P 8,292,508,630 P 7,188,994,574 P 6,608,154,597 Sale of goods - net (Notes 2, 5 and 31) 1,314,704,847 1,059,796,204 910,979,232 Dividend income (Note 10) 301,777,821 270,687,177 218,797,811 Equity in net losses - net of valuation allowance (Note 14) (262,184,140) (497,099,065) (72,773,871) Interest income (Notes 9, 10, 13 and 24) 109,516,147 98,877,355 93,555,443 Sale of real estate (Note 31) - - 633,912,337 INVESTMENT GAINS (LOSSES) 8,121,256,245 8,392,625,550 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 Gain (loss) on sale of FVOCI investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 Gain (loss) on sale of FVOCI investments (Notes 2 and 10) (2,700,602) 13,932,565 8,786,673 Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (31,101,015 1,097,861,615 347,866,73 Gain (loss) o			(As restated -	(As restated -			
Sale of goods - net (Notes 2 and 5) P 8,292,508,630 P 7,188,994,574 P 6,608,154,597 Services (Notes 2, 5 and 31) 1,314,704,847 1,059,795,204 910,979,232 Dividend income (Note 10) 301,777,821 270,687,177 218,797,811 Equity in net losses - net of valuation allowance (Note 14) (262,184,140) (497,099,065) (72,773,871) Interest income (Notes 9, 10, 13 and 24) 109,516,147 98,877,355 93,555,443 Sale of real estate (Note 31) - - 633,912,337 INVESTMENT GAINS (LOSSES) Gain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 <tr< th=""><th></th><th>2018</th><th>Note 2)</th><th>Note 2)</th></tr<>		2018	Note 2)	Note 2)			
Services (Notes 2, 5 and 31) 1,314,704,847 1,059,796,204 910,979,232	REVENUES		•	<u> </u>			
Dividend income (Note 10) 301,777,821 270,687,177 218,797,811 Equity in net losses - net of valuation allowance (Note 14) (262,184,140) (497,099,065) (72,773,871) Interest income (Notes 9, 10, 13 and 24) 109,516,147 98,877,355 93,555,443 Sale of real estate (Note 31) 9,756,323,305 8,121,256,245 8,392,625,550 INVESTMENT GAINS (LOSSES) Gain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 (Note 5 and 13) (7,010,549,289) (6,069,283,925) </td <td>Sale of goods - net (Notes 2 and 5)</td> <td>₱ 8,292,508,630</td> <td>₱ 7,188,994,574</td> <td>₱ 6,608,154,597</td>	Sale of goods - net (Notes 2 and 5)	₱ 8,292,508,630	₱ 7,188,994,574	₱ 6,608,154,597			
Equity in net losses - net of valuation allowance (Note 14) (262,184,140) (497,099,065) (72,773,871) Interest income (Notes 9, 10, 13 and 24) 109,516,147 98,877,355 93,555,443 Sale of real estate (Note 31) 9,756,323,305 8,121,256,245 8,392,625,550 INVESTMENT GAINS (LOSSES) Bain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 TOTAL 9,781,004,737 10,584,556,793 9,883,753,984 Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (1,344,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Note 3, 20 and 24) (72,908,371) (85,138,178) (10,85,136,688) Foreign exchange gain (loss) - net 106,678,302 (17,777,225) 5,431,706 Cost of real estate sold (Note 31) (285,522,793) (10,851,3468)	Services (Notes 2, 5 and 31)	1,314,704,847	1,059,796,204	910,979,232			
valuation allowance (Note 14) (262,184,140) (497,099,065) (72,773,871) Interest income (Notes 9, 10, 13 and 24) 109,516,147 98,877,355 93,555,443 Sale of real estate (Note 31) 9,756,323,305 8,121,256,245 8,392,625,550 INVESTMENT GAINS (LOSSES) Biomain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 (Notes 2 and 13) 24,681,432 2,463,300,548 1,491,128,434 TOTAL 9,781,004,737 10,584,556,793 9,883,753,984 Cost of goods sold (Note 22) (7010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) Operating expenses (Note 23) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468)	Dividend income (Note 10)	301,777,821	270,687,177	218,797,811			
Interest income (Notes 9, 10, 13 and 24)	Equity in net losses - net of						
Sale of real estate (Note 31) – – 633,912,337 INVESTMENT GAINS (LOSSES) Ray2,625,550 Gain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 Gain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 TOTAL 9,781,004,737 10,584,556,793 9,883,753,984 Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) Operating expenses (Note 22) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (18,513,468) Foreign exchange gain (loss) - net 106,678,302 (17,777,225) 5,431,706 Cost of real estate sold (Note 31) – – (285,522,793) Other income - net (Notes 2, 24 and 31) 79,708,375 52,328,767 58,899,429	valuation allowance (Note 14)	(262,184,140)	(497,099,065)	(72,773,871)			
NVESTMENT GAINS (LOSSES) Gain on increase in market values of FVPL	Interest income (Notes 9, 10, 13 and 24)	109,516,147	98,877,355	93,555,443			
NVESTMENT GAINS (LOSSES) Gain on increase in market values of FVPL	Sale of real estate (Note 31)	_	_	633,912,337			
Gain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 (Sain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 (Sain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 24,681,432 2,463,300,548 1,491,128,434 (Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) (Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) (286,359,967) (296,349,082) (1194,383,616) (11,79,275,444) (10,965,349,082) (1194,383,616) (11,792,75,444) (10,965,349,082) (11,94,383,616) (11,777,225) (11,94,383,616) (11,777,225) (11,94,383,616) (11,777,225) (11,94,383,616) (11,777,225) (11,94,383,616) (11,777,225) (11,94,383,616) (11		9,756,323,305	8,121,256,245	8,392,625,550			
Gain on increase in market values of FVPL investments (Notes 2 and 10) 33,493,049 1,351,506,368 1,139,183,742 (Sain (loss) on disposal of subsidiaries (Notes 8 and 16) (6,111,015) 1,097,861,615 343,158,019 (Sain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 24,681,432 2,463,300,548 1,491,128,434 (Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) (200,502) (1,194,383,616) (1,179,275,444) (1,096,349,082) (1,194,383,616) (1,179,275,444) (1,196,349,082) (1,194,383,616) (1,194,383,616) (1,194,383,616) (1,179,275,444) (1,196,349,082) (1,194,383,616) (1,179,275,444) (1,196,349,082) (1,19	INVESTMENT GAINS (LOSSES)						
Gain (loss) on disposal of subsidiaries (Notes 8 and 16) Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) (2,700,602) (13,932,565) (3,786,673) (24,681,432) (2,463,300,548) (1,491,128,434) TOTAL Ost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) Operating expenses (Note 22) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468) Other income - net (Notes 2, 24 and 31) (79,708,375) (289,392,40) Other income - net (Notes 2, 24 and 31) (79,708,375) (286,359,967) Other income - net (Notes 2, 24 and 31) (79,708,375) (286,359,967) (17,777,225) (285,522,793) Other income - net (Notes 2, 24 and 31) (79,708,375) (2889,439,418) (2,700,602) (17,777,225) (286,359,967) (17,777,225) (285,522,793) Other income - net (Notes 2, 24 and 31) (17,770,375) (286,359,967							
Gain (loss) on sale of FVOCI investments (Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 24,681,432 2,463,300,548 1,491,128,434 TOTAL 9,781,004,737 10,584,556,793 9,883,753,984 Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Operating expenses (Note 22) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468) Foreign exchange gain (loss) - net 106,678,302 (17,777,225) 5,431,706 Cost of real estate sold (Note 31) 79,708,375 52,328,767 58,899,429 INCOME BEFORE INCOME TAX 1,252,041,949 2,889,439,418 2,983,007,512 NET INCOME FROM CONTINUING OPERATIONS (Note 2) NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) T (47,637,151) NET INCOME 904,823,383 2,588,366,583 2,850,140,514 OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 10,361,457 (5,215,719) (3,477,306)	investments (Notes 2 and 10)	33,493,049	1,351,506,368	1,139,183,742			
(Notes 2 and 13) (2,700,602) 13,932,565 8,786,673 24,681,432 2,463,300,548 1,491,128,434 TOTAL 9,781,004,737 10,584,556,793 9,883,753,984 Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) Operating expenses (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468) Foreign exchange gain (loss) - net 106,678,302 (17,777,225) 5,431,706 Cost of real estate sold (Note 31) - - (285,522,793) Other income - net (Notes 2, 24 and 31) 79,708,375 52,328,767 58,899,429 INCOME BEFORE INCOME TAX 1,252,041,949 2,889,439,418 2,983,007,512 PROVISION FOR INCOME TAX (Notes 2 and 26) 347,218,566 253,435,684 317,783,110 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) - (47,637,151) 184,916,112 NET INCOME 904,823,383 2,588,366,583 2,850,140,514 OTHER COMPREHENSIVE INCOME (LOSS) 0	Gain (loss) on disposal of subsidiaries (Notes 8 and 16)	(6,111,015)	1,097,861,615	343,158,019			
TOTAL 9,781,004,737 10,584,556,793 9,883,753,984 Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) Operating expenses (Note 22) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468) Foreign exchange gain (loss) - net (106,678,302) (17,777,225) (17,777,225) (285,522,793) Other income - net (Notes 2, 24 and 31) (106,678,302) (17,777,225) (17,777,2	Gain (loss) on sale of FVOCI investments						
TOTAL Ost of goods sold (Note 22) Cost of goods sold (Note 22) Cost of services rendered (Note 22) Cost of services rendered (Note 22) Operating expenses (Note 22) Operating expenses (Note 22) (1,194,383,616) Interest expense (Notes 18, 20 and 24) Foreign exchange gain (loss) - net Cost of real estate sold (Note 31) Other income - net (Notes 2, 24 and 31) INCOME BEFORE INCOME TAX PROVISION FOR INCOME TAX (Notes 2 and 26) NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) 10,547,508,189 (39,583,556,793 9,883,753,984 (6,069,283,925) (5,188,332,297) (6,069,283,925) (5,188,332,297) (286,359,967) (1,194,383,616) (1,179,275,444) (1,096,349,082) (17,777,225) 5,431,706 (85,138,178) (108,513,468) (17,777,225) 5,431,706 (285,522,793) Other,777,225) 5,431,706 (285,522,793) Other alestate sold (Note 31) 79,708,375 52,328,767 58,899,429 1,252,041,949 2,889,439,418 2,983,007,512 PROVISION FOR INCOME TAX (Notes 2 and 26) 347,218,566 253,435,684 317,783,110 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) - (47,637,151) 184,916,112 NET INCOME OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	(Notes 2 and 13)	(2,700,602)	13,932,565	8,786,673			
Cost of goods sold (Note 22) (7,010,549,289) (6,069,283,925) (5,188,332,297) Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) Operating expenses (Note 22) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468) Foreign exchange gain (loss) - net 106,678,302 (17,777,225) 5,431,706 Cost of real estate sold (Note 31) (285,522,793) Other income - net (Notes 2, 24 and 31) 79,708,375 52,328,767 58,899,429 INCOME BEFORE INCOME TAX 1,252,041,949 2,889,439,418 2,983,007,512 PROVISION FOR INCOME TAX (Notes 2 and 26) 347,218,566 253,435,684 317,783,110 NET INCOME FROM CONTINUING OPERATIONS (Note 2) 904,823,383 2,636,003,734 2,665,224,402 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) - (47,637,151) 184,916,112 NET INCOME TOMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)		24,681,432	2,463,300,548	1,491,128,434			
Cost of services rendered (Note 22) (437,508,189) (395,971,370) (286,359,967) Operating expenses (Note 22) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468) Foreign exchange gain (loss) - net (106,678,302) (17,777,225) (285,522,793) Other income - net (Notes 2, 24 and 31) (285,227,793) Other income - net (Notes 2, 24 and 31) (285,227,793) Other income - net (Notes 2, 24 and 31) (285,227,794) (285,522,793) Other income - net (Notes 2, 24 and 31) (285,041,949) (2889,439,418) (2983,007,512) Other INCOME TAX (Notes 2 and 26) (285,224,1049) (2889,439,418) (2983,007,512) Other INCOME (LOSS) FROM ONTINUING OPERATIONS (Note 2) (285,224,402) Other income (LOSS) FROM ONTINUED OPERATIONS (Note 8) (286,003,734) (2,665,224,402) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) (34,538,189) (5,215,719) (3,477,306) Income tax effect (10,361,457) (5,215,719) (3,477,306)	TOTAL	9,781,004,737	10,584,556,793	9,883,753,984			
Operating expenses (Note 22) (1,194,383,616) (1,179,275,444) (1,096,349,082) Interest expense (Notes 18, 20 and 24) (72,908,371) (85,138,178) (108,513,468) Foreign exchange gain (loss) - net (106,678,302) (17,777,225) (285,522,793) Other income - net (Notes 2, 24 and 31) (285,522,793) Other income - net (Notes 2, 24 and 31) 79,708,375 52,328,767 58,899,429 INCOME BEFORE INCOME TAX 1,252,041,949 2,889,439,418 2,983,007,512 PROVISION FOR INCOME TAX (Notes 2 and 26) 347,218,566 253,435,684 317,783,110 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 2) 904,823,383 2,636,003,734 2,665,224,402 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) - (47,637,151) 184,916,112 NET INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	Cost of goods sold (Note 22)	(7,010,549,289)	(6,069,283,925)	(5,188,332,297)			
Interest expense (Notes 18, 20 and 24) Foreign exchange gain (loss) - net 106,678,302 (17,777,225) 5,431,706 Cost of real estate sold (Note 31) (285,522,793) Other income - net (Notes 2, 24 and 31) 79,708,375 52,328,767 58,899,429 INCOME BEFORE INCOME TAX 1,252,041,949 2,889,439,418 2,983,007,512 PROVISION FOR INCOME TAX (Notes 2 and 26) NET INCOME FROM CONTINUING OPERATIONS (Note 2) NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) - (47,637,151) NET INCOME OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) Income tax effect (10,361,457 (5,215,719) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (108,513,468) (285,522,793) (285,322,665 (293,435,684 (317,783,110 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (185,666 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (184,916,112 (47,637,151) (47,637,151) (47,637,151) (47,637,151) (47,637,151) (47,637,151) (47,637,151) (47,637,151) (47,637,151) (47,637,151) (4	Cost of services rendered (Note 22)	(437,508,189)	(395,971,370)	(286,359,967)			
Foreign exchange gain (loss) - net Cost of real estate sold (Note 31) Other income - net (Notes 2, 24 and 31) INCOME BEFORE INCOME TAX PROVISION FOR INCOME TAX (Notes 2 and 26) NET INCOME FROM CONTINUING OPERATIONS (Note 2) NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) NET INCOME OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) Income tax effect Income (10,678,302 (17,777,225) (17,777	Operating expenses (Note 22)	(1,194,383,616)	(1,179,275,444)	(1,096,349,082)			
Cost of real estate sold (Note 31)	Interest expense (Notes 18, 20 and 24)	(72,908,371)	(85,138,178)	(108,513,468)			
Other income - net (Notes 2, 24 and 31) 79,708,375 52,328,767 58,899,429 INCOME BEFORE INCOME TAX 1,252,041,949 2,889,439,418 2,983,007,512 PROVISION FOR INCOME TAX (Notes 2 and 26) 347,218,566 253,435,684 317,783,110 NET INCOME FROM CONTINUING OPERATIONS (Note 2) 904,823,383 2,636,003,734 2,665,224,402 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) - (47,637,151) 184,916,112 NET INCOME 904,823,383 2,588,366,583 2,850,140,514 OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	Foreign exchange gain (loss) - net	106,678,302	(17,777,225)	5,431,706			
INCOME BEFORE INCOME TAX 1,252,041,949 2,889,439,418 2,983,007,512	Cost of real estate sold (Note 31)	-	_	(285,522,793)			
PROVISION FOR INCOME TAX (Notes 2 and 26) 347,218,566 253,435,684 317,783,110 NET INCOME FROM CONTINUING OPERATIONS (Note 2) 904,823,383 2,636,003,734 2,665,224,402 NET INCOME (LOSS) FROM - (47,637,151) 184,916,112 NET INCOME 904,823,383 2,588,366,583 2,850,140,514 OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	Other income - net (Notes 2, 24 and 31)	79,708,375	52,328,767	58,899,429			
NET INCOME FROM CONTINUING OPERATIONS (Note 2) 904,823,383 2,636,003,734 2,665,224,402 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) – (47,637,151) 184,916,112 NET INCOME 904,823,383 2,588,366,583 2,850,140,514 OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	INCOME BEFORE INCOME TAX	1,252,041,949	2,889,439,418	2,983,007,512			
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 8) - (47,637,151) 184,916,112 NET INCOME 904,823,383 2,588,366,583 2,850,140,514 OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on 17,385,730 11,591,026 FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	PROVISION FOR INCOME TAX (Notes 2 and 26)	347,218,566	253,435,684	317,783,110			
DISCONTINUED OPERATIONS (Note 8)	NET INCOME FROM CONTINUING OPERATIONS (Note 2)	904,823,383	2,636,003,734	2,665,224,402			
NET INCOME OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) Income tax effect 904,823,383 2,588,366,583 2,850,140,514 (34,538,189) 17,385,730 11,591,026 (5,215,719) (3,477,306)	NET INCOME (LOSS) FROM						
OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	DISCONTINUED OPERATIONS (Note 8)	_	(47,637,151)	184,916,112			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)		904,823,383	2,588,366,583	2,850,140,514			
to profit or loss in subsequent periods: Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)							
Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	Other comprehensive income (loss) to be reclassified						
FVOCI investments (Notes 2 and 13) (34,538,189) 17,385,730 11,591,026 Income tax effect 10,361,457 (5,215,719) (3,477,306)	to profit or loss in subsequent periods:						
Income tax effect 10,361,457 (5,215,719) (3,477,306)	Unrealized valuation gains (losses) on						
		(34,538,189)	17,385,730				
(24,176,732) 12,170,011 8,113,720	Income tax effect	10,361,457	(5,215,719)	(3,477,306)			
		(24,176,732)	12,170,011	8,113,720			

(Forward)

Consolidated Statements of Comprehensive Income

			Years Ended December 31					
				2017		2016		
				(As restated -		(As restated -		
		2018		Note 2)		Note 2)		
Unrealized losses (gains) on FVOCI investments								
recognized in the consolidated profit or loss								
(Notes 2 and 13)	₽	2,700,602	(₱	13,932,565)	(₱	8,786,673)		
Income tax effect		(810,181)		4,179,770		2,636,002		
		1,890,421		(9,752,795)		(6,150,671)		
		(22,286,311)		2,417,216		1,963,049		
Cumulative translation adjustment		89,930,454		(84,661,930)		192,326,863		
·		67,644,143		(82,244,714)		194,289,912		
Other comprehensive income (loss)						_		
not to be reclassified to profit or loss in								
subsequent periods:								
Remeasurement gain (loss) on								
retirement benefits (Note 25)		(24,574,106)		29,961,119		3,451,388		
Income tax effect		6,432,512		(9,575,162)		(835,308)		
		(18,141,594)		20,385,957		2,616,080		
OTHER COMPREHENSIVE INCOME (LOSS)		49,502,549		(61,858,757)		196,905,992		
TOTAL COMPREHENSIVE INCOME	₽	954,325,932	₽	2,526,507,826	₽	3,047,046,506		
Net Income Attributable to:								
Equity holders of the Parent	₽	808,386,813	₽	2,547,458,719	₽	2,682,646,535		
Noncontrolling interests		96,436,570		40,907,864		167,493,979		
	₽	904,823,383	₱	2,588,366,583	₽	2,850,140,514		
Total Comprehensive Income								
Attributable to:								
Equity holders of the Parent	₽	857,889,362	₽	2,485,599,962	₽	2,879,552,527		
Noncontrolling interests		96,436,570		40,907,864		167,493,979		
	₽	954,325,932	₽	2,526,507,826	₽	3,047,046,506		
5 · 5 0								
Earnings Per Share								
Basic/diluted, for net income attributable to equity		0.67		0.00		0.10		
holders of the Parent (Notes 2, 8 and 27)	₽	0.67	₽	2.08	₽	2.18		
Decis / diluted for not income force time in time								
Basic/diluted, for net income from continuing operations	-	0.67	_	0.10	1	0.00		
attributable to equity holders of the Parent (Note 27)	₽	0.67	₽	2.12	₽	2.03		
Basic/diluted, for total comprehensive income attributable								
to equity holders of the Parent (Note 27)	₽	0.71	₽	2.03	₽	2.34		
to equity holders of the Falent (Note 21)	Г	0.71	Г	2.03	<u> </u>	2.34		

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

				Equity Attrib	outal	ble to Equity Hold	ers	of the Parent (Note	21)		
		Capital Stock		Additional Paid-in Capital		Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)		Cumulative Translation Adjustment		Unrealized Valuation Gains (Losses) on FVOCI Investments (Note 13)		Remeasurement on Retirement Benefits (Note 24)
BALANCES AT JANUARY 1, 2016	_	0.500.000.000		1 605 610 566	/5	0.5.0.55.5.40)		107017000	_	505.054.040		0.4.000 505
(as previously reported) Effect of adoption of new	P	2,500,000,000	P	1,605,613,566	(₱	26,356,543)	P	187,917,388	P	686,254,240	P	34,992,585
accounting standards (Note 2) BALANCES AT JANUARY 1, 2016 (as restated)		2,500,000,000		1,605,613,566		(26,356,543)		187,917,388		(676,476,718)		24,002,505
Net income (Note 2)						(20,330,343)				9,777,522		34,992,585
Other comprehensive income (Note 2) Total comprehensive income								192,326,863		1,963,049		2,616,080
for the year (Note 2) Cash dividends - net of dividends on common shares held by a		-		-		-		192,326,863		1,963,049		2,616,080
subsidiary amounting to P253.5 million (Note 21)		-		-		-		-		_		-
Shares repurchased during the year (Note 21)		_		_		_		_		_		_
Movement in noncontrolling interests (Notes 3 and 31)		-		-		-		-		-		-
Appropriation during the year (Note 21) BALANCES AT DECEMBER 31, 2016	P	2,500,000,000	P	1,605,613,566	(₽	26,356,543)	P	380,244,251	P	11,740,571	P	37,608,665
BALANCES AT DECEMBER 31, 2010	Г	2,300,000,000		1,000,013,000	(r	20,330,343)		300,244,231	Г	11,740,371		31,000,003
BALANCES AT JANUARY 1, 2017												
(as previously reported)	₽	2,500,000,000	P	1,605,613,566	(₱	26,356,543)	P	380,244,251	₽	1,899,776,724	P	37,608,665
Effect of adoption of new accounting standards (Note 2)		_		_		_		_		(1,888,036,153)		
BALANCES AT JANUARY 1, 2017 (as restated)		2,500,000,000		1.605.613.566		(26.356.543)		380,244,251		11,740,571		37,608,665
Net income (Note 2)								-		_		_
Other comprehensive income (loss) (No Total comprehensive income (loss)	ote 2)							(84,661,930)		2,417,216		20,385,957
for the year (Note 2) Cash dividends - net of dividends		-		-		-		(84,661,930)		2,417,216		20,385,957
on common shares held by a subsidiary amounting to												
₱255.6 million (Note 21)		-		-		-		-		-		-
Shares repurchased during the year (Note 21)		-		-		-		-		-		-
Movement in noncontrolling interests (Notes 3 and 31)		_		_		_		_		_		_
BALANCES AT DECEMBER 31, 2017	P	2,500,000,000	₽	1,605,613,566	₽	(26,356,543)	P	295,582,321	P	14,157,787	₽	57,994,622
BALANCES AT JANUARY 1, 2018 (as previously reported)	₽	2,500,000,000	P	1,605,613,566	(₱	26,356,543)	P	295,800,724	₽	3,003,271,945	P	57,994,622
Effect of adoption of new accounting standards (Note 2)		_		_		_		(218,403)		(2,989,114,158)		_
BALANCES AT JANUARY 1, 2018		0.500.000.000		1 605 610 566		(05.055.5.10)		005 500 001		14157707		F7.00.4.600
(as restated) Net income		2,500,000,000		1,605,613,566		(26,356,543)		295,582,321		14,157,787		57,994,622 -
Other comprehensive income (loss)				_		-		89,930,454		(22,286,311)		(18,141,594)
Total comprehensive income (loss) for the year Cash dividends - net of dividends		-		-		-		89,930,454		(22,286,311)		(18,141,594)
on common shares held by a												
subsidiary amounting to ₱641.4 million (Note 21)		_		_		_		_		_		_
Shares repurchased during												
the year (Note 21)		-		-		00.050.540		-		-		-
Disposal of a subsidiary (Note 8) Movement in noncontrolling interests		-		-		26,356,543		-		-		-
(Notes 3 and 31) BALANCES AT DECEMBER 31, 2018	P	2,500,000,000	P	1,605,613,566	P		P	385,512,775	(P	8,128,524)	P	39,853,028
ENERGINE AT PEOLITICETT 1, 2010	-	2,000,000,000	-	1,000,010,000	1		-	000,012,110	(ı	0,120,024)		03,033,020

Consolidated Statements of Changes in Equity

Equity Attributable to Equity Holders of the Parent (Note 21)

	Subtotal*	Re Appropri		Earnings Unappropriated		Cost of Shares Held by a Subsidiary		Total		Noncontrolling Interests		Total
	₽ 4,988,421,236	₽ 6,300,000	,000	₽ 4,487,779,074	(₽	2,219,505,295)	P	13,556,695,015	P	378,225,614	P	13,934,920,629
Effect of adoption of new accounting standards (Note 2)	(676,476,718)		-	682,809,504		-		6,332,786		_		6,332,786
BALANCES AT JANUARY 1, 2016 (as restated)	4,311,944,518	6,300,000	,000	5,170,588,578		(2,219,505,295)		13,563,027,801		378,225,614		13,941,253,415
Net income (Note 2) Other comprehensive income (Note 2)	196,905,992		_	2,682,646,535		<u>-</u> -		2,682,646,535 196,905,992		167,493,979 –		2,850,140,514 196,905,992
Total comprehensive income for the year (Note 2) Cash dividends - net of dividends on common shares held by a	196,905,992		-	2,682,646,535		-		2,879,552,527		167,493,979		3,047,046,506
subsidiary amounting to P253.5 million (Note 21)	-		_	(246,518,655)		-		(246,518,655)		-		(246,518,655)
Shares repurchased during the year (Note 21)	-		-	-		(6,767,680)		(6,767,680)		-		(6,767,680)
Movement in noncontrolling interests (Notes 3 and 31) Appropriation during the year	-		-	-		-		-		(32,890,542)		(32,890,542)
(Note 21)	P 4,508,850,510	850,000 P 7,150,000		(850,000,000) P 6,756,716,458	(P	2,226,272,975)	P	16,189,293,993	P	512,829,051	P	16,702,123,044
BALANCES AT JANUARY 1, 2017 (as previously reported) Effect of adoption of new	₽ 6,396,886,663	₱ 7,150,000	,000	₽ 4,914,057,124	(₱	2,226,272,975)	P	16,234,670,812	₽	512,829,051	P	16,747,499,863
accounting standards (Note 2)	(1,888,036,153)		_	1,842,659,334		_		(45,376,819)		_		(45,376,819)
BALANCES AT JANUARY 1, 2017 (as restated)	4,508,850,510	7,150,000	,000	6,756,716,458		(2,226,272,975)		16,189,293,993		512,829,051		16,702,123,044
Net income (Note 2) Other comprehensive income (loss)	-		-	2,547,458,719		-		2,547,458,719		40,907,864		2,588,366,583
(Note 2)	(61,858,757)		-	-		_		(61,858,757)		_		(61,858,757)
Total comprehensive income (loss) for the year (Note 2)	(61,858,757)		-	2,547,458,719		-		2,485,599,962		40,907,864		2,526,507,826
Cash dividends - net of dividends on common shares held by a subsidiary amounting to				(044.053.453)				(0.44.053, 453)				(0.44.057.457)
P255.6 million (Note 21) Shares repurchased during the year	-		-	(244,361,451)		-		(244,361,451)		-		(244,361,451)
(Note 21) Movement in noncontrolling interests	-		-	-		(98,041,760)		(98,041,760)		-		(98,041,760)
(Notes 3 and 31) BALANCES AT DECEMBER 31, 2017	P 4.446.991.753	₱ 7,150,000	.000	P 9,059,813,726	(₽	2,324,314,735)	P	18,332,490,744	₽	(95,092,264) 458,644,651	P	(95,092,264) 18,791,135,395
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,,,,,,,,,	,		(-			,,,.		,		,,
BALANCES AT JANUARY 1, 2018 (as previously reported)	₽ 7,436,324,314	₱ 7,150,000	,000	₽ 6,250,515,619	(₽	2,324,314,735)	₽	18,512,525,198	P	458,644,651	P	18,971,169,849
Effect of adoption of new accounting standards (Note 2)	(2,989,332,561)		-	2,809,298,107		-		(180,034,454)		-		(180,034,454)
BALANCES AT JANUARY 1, 2018 (as restated)	4,446,991,753	7,150,000	,000	9,059,813,726		(2,324,314,735)		18,332,490,744		458,644,651		18,791,135,395
Net income Other comprehensive income (loss)	49,502,549		-	808,386,813				808,386,813 49,502,549		96,436,570		904,823,383 49,502,549
Total comprehensive income (loss)	, ,			000 206 012						06 406 570		
for the year (Note 2) Cash dividends - net of dividends on common shares held by a	49,502,549		-	808,386,813		_		857,889,362		96,436,570		954,325,932
subsidiary amounting to P641.4 million (Note 21)	-		-	(608,586,627)		-		(608,586,627)		-		(608,586,627)
Shares repurchased during the year (Note 21)	-		-	-		(32,241,091)		(32,241,091)		-		(32,241,091)
Disposal of a subsidiary (Note 8) Movement in noncontrolling interests	26,356,543		-	-		-		26,356,543		-		26,356,543
(Notes 3 and 31)	P 4,522,850,845	₽ 7,150,000	,000	P 9,259,613,912	(₽	2,356,555,826)	P	- 18,575,908,931	P	(31,555,106) 523,526,115	P	(31,555,106) 19,099,435,046

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 Dece	mber 31
		2017	2016
		(As restated -	(As restated -
	2018	Note 2)	Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			_
Income before income tax - continuing operations	1,252,041,949	₱ 2,889,439,418	₱ 2,983,007,512
Income (loss) before income tax - discontinued			
operations (Note 8)	_	(52,709,769)	293,640,508
Income before income tax	1,252,041,949	2,836,729,649	3,276,648,020
Adjustments for.			
Dividend income (Note 13)	(301,777,821)	(270,687,177)	(218,797,811)
Equity in net losses - net of valuation			
allowance (Note 14)	262,184,140	497,099,065	72,773,871
Depreciation and amortization			
(Notes 15 and 22)	252,820,204	252,088,932	234,068,755
Unrealized foreign exchange losses - net	116,697,688	13,884,632	42,147,356
Interest income (Note 24)	(109,516,147)	(98,878,579)	(95,311,627)
Interest expense (Note 24)	72,908,371	90,524,037	109,007,134
Retirement benefit costs (Note 25)	37,124,451	16,747,851	15,698,052
Gain on increase in market values of FVPL			
investments (Notes 2 and 10)	(33,493,049)	(1,351,506,368)	(1,139,183,742)
Valuation allowances - net (Notes 2 and 24)	9,397,390	211,799,817	11,157,729
Loss (gain) on sale/disposal of:			
Subsidiaries (Notes 8 and 16)	6,111,015	(1,097,861,615)	(343,158,019)
FVOCI investments (Notes 2 and 13)	2,700,602	13,932,565	(8,786,673)
Operating income before working			
capital changes	1,567,198,793	1,113,872,809	1,956,263,045
Decrease (increase) in:			
FVPL investments	106,988,583	37,181,483	(175,141,143)
Receivables	(488,596,128)	365,575,268	(223,054,364)
Inventories	(209,639,027)	(138,806,873)	15,482,484
Prepayments and other current assets	23,158,663	101,852,799	(12,998,254)
Property development in progress	-	_	172,634,831
Increase (decrease) in:			
Accounts payable and accrued expenses	(101,992,716)	60,867,482	53,675,841
Customers' deposit for property development	-	_	(597,268,360)
Deferred revenues	(9,469,328)	867,768	(1,516,340)
Cash generated from operations	887,648,840	1,541,410,736	1,188,077,740
Income taxes paid	(279,043,797)	(312,505,882)	(400,069,455)
Dividends received	301,777,821	270,687,177	215,498,739
Interest received	98,460,395	98,091,189	89,959,658
Interest paid	(72,666,167)	(85,531,605)	(94,220,605)
Retirement benefit contribution (Note 25)	(22,191,914)	(16,659,548)	(17,949,668)
Net cash flows from operating activities	913,985,178	1,495,492,067	981,296,409

(Forward)

Consolidated Statements of Cash Flows

CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sale of: FVOCI investments (Notes 2 and 13) ₱ 102,546,014 ₱ 425,586,347 ₱ 453,6 Property and equipment (Note 15) 10,758,435 4,279,888 1,7 Long-term investment 9,200,000 1,376,788,000 397,7 Additions to: FVOCI investments (Notes 2 and 13) (229,382,738) (674,863,214) (125,5 Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) - Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0	2016 stated – Note 2) 503,935 780,000 120,000 83,109) 85,426) – – 53,160)
2018 Note 2) CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sale of: FVOCI investments (Notes 2 and 13) P 102,546,014 P 425,586,347 P 453,6 Property and equipment (Note 15) 10,758,435 4,279,888 1,279,888 1,276,788,000 397,200,000 Additions to: FVOCI investments (Notes 2 and 13) (229,382,738) (674,863,214) (125,525) Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) - Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	Note 2) 603,935 780,000 120,000 83,109) 85,426) —
CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sale of: FVOCI investments (Notes 2 and 13) ₱ 102,546,014 ₱ 425,586,347 ₱ 453,47 Property and equipment (Note 15) 10,758,435 4,279,888 1,7 Long-term investment 9,200,000 1,376,788,000 397,7 Additions to: FVOCI investments (Notes 2 and 13) (229,382,738) (674,863,214) (125,5 Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) — Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	603,935 780,000 120,000 83,109) 85,426)
Proceeds from sale of: FVOCI investments (Notes 2 and 13) Property and equipment (Note 15) Long-term investment FVOCI investments (Notes 2 and 13) Collection from (advances to) affiliates (Note 14) P102,546,014 P102,54	780,000 120,000 83,109) 85,426) —
FVOCI investments (Notes 2 and 13) ₱ 102,546,014 ₱ 425,586,347 ₱ 453,6 Property and equipment (Note 15) 10,758,435 4,279,888 1,7 Long-term investment 9,200,000 1,376,788,000 397,7 Additions to: FVOCI investments (Notes 2 and 13) (229,382,738) (674,863,214) (125,5 Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) — Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	780,000 120,000 83,109) 85,426) —
Property and equipment (Note 15) 10,758,435 4,279,888 1,7 Long-term investment 9,200,000 1,376,788,000 397,7 Additions to: FVOCI investments (Notes 2 and 13) (229,382,738) (674,863,214) (125,5 Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) - Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	780,000 120,000 83,109) 85,426) —
Long-term investment 9,200,000 1,376,788,000 397,7 Additions to: FVOCI investments (Notes 2 and 13) (229,382,738) (674,863,214) (125,5 Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) - Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	120,000 83,109) 85,426) –
Additions to: FVOCI investments (Notes 2 and 13) Property and equipment (Note 15) Investment properties Acquisition of associates (Note 14) Movement in other noncurrent assets Collection from (advances to) affiliates (Note 14) Additions to: (229,382,738) (156,220,277) (156,220,277) (1,583,339) (102,945,888) (91,256,250) (39,298,864) (26,0 (77,440,000) (3	83,109) 85,426) –
FVOCI investments (Notes 2 and 13) (229,382,738) (674,863,214) (125,5 Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) – Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	85,426) - -
Property and equipment (Note 15) (156,220,277) (289,432,012) (179,8 Investment properties (1,583,339) — Acquisition of associates (Note 14) (102,945,888) (91,256,250) (179,8 Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) (179,8 (199,83)	85,426) - -
Investment properties (1,583,339) — Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	- -
Investment properties (1,583,339) — Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	53,160)
Acquisition of associates (Note 14) (102,945,888) (91,256,250) Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	– 53,160)
Movement in other noncurrent assets (44,680,957) (39,298,864) (26,0 Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000)	53,160)
Collection from (advances to) affiliates (Note 14) 3,470,251 (77,440,000) (3	
	86,108)
	, <u>,</u>
Net cash flows from (used in) investing activities (408,838,499) 646,664,922 520,	596,132
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from availment of notes payable	200 000
	000,000
Payments of:	
	55,735)
	59,170)
	00,000)
Company shares purchased by a subsidiary	
	67,680)
	47,926)
Net cash flows used in financing activities (997,590,116) (1,291,621,498) (876,5	30,511)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (492,443,437) 850,535,491 625,3	362,030
EFFECT OF EXCHANGE RATE CHANGES ON CASH	302,030
	058,316
AND CASH EQUIVALENTS 2,423,835 1,259,659 4,0 CASH AND CASH EQUIVALENTS	100,010
	210 172
AT BEGINNING OF YEAR 3,255,534,668 2,403,739,518 1,774,3	319,172
AT END OF YEAR (Note 9)	

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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issue by the Board of Directors (BOD) on February 21, 2019.

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 debt and equity securities 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, 2018. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions
- PFRS 9, Financial Instruments

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied PFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the year beginning January 1, 2017.

The following are the effects of adopting PFRS 9 in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016:

2017

			As previously		
	Note		reported	Adjustments	As restated
Gain on sale of available-for-sale			•	-	
(AFS) investments	(a)	₽	433,166,363	(₱ 433,166,363)	₱ _
Gain on sale of FVOCI investments	(a)		_	13,932,565	13,932,565
Gain on increase in market values					
of FVPL investments	(a)		10,658,363	1,340,848,005	1,351,506,368
Investment gains			1,541,686,341	921,614,207	2,463,300,548
Other income - net ¹	(c)		9,684,243	42,644,524	52,328,767
Income before income tax ¹			1,925,180,687	964,258,731	2,889,439,418
Provision for income tax ¹	(c)		(255,815,726)	2,380,042	(253,435,684)
Net income			1,621,727,810	966,638,773	2,588,366,583
Net income from continuing operations			1,669,364,961	966,638,773	2,636,003,734
Net income attributable to equity holders					
of the Parent			1,580,819,946	966,638,773	2,547,458,719
Unrealized valuation gains on AFS					
investments, net of tax	(a)		1,520,649,950	(1,520,649,950)	_
Realized gain on AFS					
investments, net of tax	(a)		(417,154,729)	417,154,729	_
Unrealized valuation gains					
on FVOCI investments,					
net of tax	(a)		_	12,170,011	12,170,011
Realized gain on FVOCI					
investments, net of tax	(a)		_	(9,752,795)	(9,752,795)
Cumulative translation adjustment			(84,443,527)	(218,403)	(84,661,930)
Other comprehensive income					
(loss) for the year			1,039,437,651	(1,101,296,408)	(61,858,757)
Total comprehensive income					
for the year			2,661,165,461	(134,657,635)	2,526,507,826
Total comprehensive income					
for the year attributable					
to equity holders of the Parent			2,620,257,597	(134,657,635)	2,485,599,962
Earnings per share					
Basic/diluted, for net income					
attributable to equity holders					
of the Parent			1.29	0.79	2.08
of the Falchit			1.29	0.19	2.00

¹ Excluding the effect of operating results from discontinued operations amounting to ₱297.0 million in other income - net, ₱52.7 million in income before income tax and ₱5.1 million in provision for income tax.

2016

			As previously		
	Note		reported	Adjustments	As restated
Gain on sale of AFS investments	(a)	₽	555,619,230	(₱ 555,619,230)	₱ –
Gain on sale of FVOCI investments	(a)		_	8,786,673	8,786,673
Gain on increase in market values					
of FVPL investments	(a)		20,589,122	1,118,594,620	1,139,183,742
Investment gains			919,366,371	571,762,063	1,491,128,434
Other income (charges) - net ¹	(c)		(531,999,778)	590,899,207	58,899,429
Income before income tax ¹			1,820,346,242	1,162,661,270	2,983,007,512
Provision for income tax ¹	(c)		(314,971,670)	(2,811,440)	(317,783,110)
Net income			1,690,290,684	1,159,849,830	2,850,140,514
Net income from continuing operations			1,505,374,572	1,159,849,830	2,665,224,402
Net income attributable to equity holders					
of the Parent			1,522,796,705	1,159,849,830	2,682,646,535
Unrealized valuation gains on AFS					
investments, net of tax	(a)		1,175,213,241	(1,175,213,241)	_
Realized loss on AFS	` '				
investments, net of tax	(a)		38,309,243	(38,309,243)	_
Unrealized valuation gains	` '			,	
on FVOCI investments, net of tax	(a)		_	8,113,720	8,113,720
Realized gain on FVOCI	` '				
investments, net of tax	(a)		_	(6,150,671)	(6,150,671)
Other comprehensive income	` '			, , ,	, , , ,
for the year			1,408,465,427	(1,211,559,435)	196,905,992
Total comprehensive				,	
income for the year			3,098,756,111	(51,709,605)	3,047,046,506
Total comprehensive income				、	
for the year attributable					
to equity holders of the Parent			2,931,262,132	(51,709,605)	2,879,552,527
			, , - , -	(- ,,,	, = =, = = , =
Earnings per share					
Basic/diluted, for net income					
attributable to equity holders					
of the Parent			1.24	0.94	2.18

¹ Excluding the increase effect of operating results from discontinued operations amounting to ₱2.5 million in other income (charges) - net, ₱293.6 million in income before income tax and ₱108.7 million in provision for income tax.

The following are the effects of adopting PFRS 9 in the consolidated balance sheets as at December 31, 2017 and January 1, 2017:

December 31, 2017

		As previously		
	Note	reported	Adjustments	As restated
Assets				
FVPL investments	(a)	₱ 856,080,159	₱ 8,689,615,913	₱ 9,545,696,072
FVOCI investments - current	(a)	_	30,165,459	30,165,459
AFS investments - current	(a)	30,165,459	(30,165,459)	_
Total Current Assets		6,813,991,346	8,689,615,913	15,503,607,259
FVOCI investments - net of current				
portion	(a)	_	654,334,642	654,334,642
AFS investments - net of current				
portion	(a)	9,530,317,793	(9,530,317,793)	_
Total Noncurrent Assets		15,712,239,431	(8,869,650,367)	6,842,589,064
Total Assets		22,526,230,777	(180,034,454)	22,346,196,323
Equity				
Unrealized valuation gains on				
AFS investments	(a)	3,003,271,945	(3,003,271,945)	-
Unrealized valuation gains on				
FVOCI investments	(a)	_	14,157,787	14,157,787
Cumulative translation adjustment		295,800,724	(218,403)	295,582,321
Unappropriated retained earnings	(a), (c)	6,250,515,619	2,809,298,107	9,059,813,726
Total Equity		18,971,169,849	(180,034,454)	18,791,135,395

January 1, 2017

		As previously		
Note		reported	Adjustments	As restated
(a)	₽	769,680,131	₱ 7,461,691,056	₱ 8,231,371,187
(a)		_	47,728,517	47,728,517
(a)		47,728,517	(47,728,517)	_
		6,245,821,836	7,461,691,056	13,707,512,892
(a)		_	800,096,535	800,096,535
(a)		8,313,497,196	(8,313,497,196)	_
	•	15,281,678,998	(7,507,067,875)	7,774,611,123
	2	21,527,500,834	(45,376,819)	21,482,124,015
	(a) (a) (a)	(a) P (a) (a) (a) (a)	Note reported (a) ₱ 769,680,131 (a) − (a) 47,728,517 6,245,821,836 (a) −	Note reported Adjustments (a) ₱ 769,680,131 ₱ 7,461,691,056 (a) − 47,728,517 (a) 47,728,517 (47,728,517) (a) 47,461,691,056 (a) − 800,096,535 (a) 8,313,497,196 (8,313,497,196) 15,281,678,998 (7,507,067,875)

(Forward)

		As previously		
	Note	reported	Adjustments	As restated
Equity				
Unrealized valuation gains on				
AFS investments	(a)	₱ 1,899,776,724	(₱1,899,776,724)	₱ –
Unrealized valuation gains on				
FVOCI investments	(a)	_	11,740,571	11,740,571
Unappropriated retained earnings	(a), (c)	4,914,057,124	1,842,659,334	6,756,716,458
Total Equity		16,747,499,863	(45,376,819)	16,702,123,044

The change did not have material impact on the Group's operating, investing and financing cash flows.

The nature of these adjustments are described below:

(a) Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively for the period beginning January 1, 2017.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification and measurement of the Group's financial assets:

- Cash, short-term investments, trade receivables, interest receivable, advances to employees, receivables
 from villa owners, dividend receivable, notes receivable and other receivables, which are previously
 classified as loans and receivables, are held to collect contractual cash flows and give rise to cash flows
 representing solely payments of principal and interest. These are now classified and measured as debt
 instruments at amortized cost.
- Debt securities previously classified as AFS financial assets are now classified and measured as debt instruments at FVOCI. The Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group's debt instruments are foreign currency-denominated bond securities that passed the SPPI test. As at December 31, 2017 and January 1, 2017, the carrying amount of FVOCI debt investments amounted to ₱684.5 million and ₱847.8 million, respectively.
- Quoted and unquoted equity shares previously classified as AFS financial assets are now classified and measured as financial assets at FVPL. As a result, the cumulative gains of ₱2,989.1 million and ₱1,888.0 million that were previously presented under unrealized valuation gains on AFS investments as at December 31, 2017 and January 1, 2017, respectively, were reclassified to retained earnings. Impairment losses on AFS equity investments amounting ₱42.6 million and ₱590.9 million that were previously presented under valuation allowances on AFS investments in 2017 and 2016, respectively, were reclassified to loss on decrease in market values of FVPL investments.

As at December 31, 2017 and January 1, 2017, AFS investments amounting to ₱456.8 million and ₱305.2 million, respectively, that were previously carried at cost less impairment were measured at their fair values. A decrease in fair value amounting to ₱186.2 million and ₱51.7 million, respectively, were recognized as at December 31, 2017 and January 1, 2017 (see Note 30).

The Group has not designated any financial liabilities as at FVPL. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications:

As at December 31, 2017

PFRS 9 measurement category **Financial** Financial Assets at Amortized Assets at As previously reported **FVPL** Cost **FVOCI** PAS 39 measurement category Loans and receivables: Cash and short-term investments 3,255,534,668 ₱ ₱ 3,255,534,668 ₱ Receivables 1,631,514,367 1,631,514,367 FVPL investments: 833,776,158 Bonds 833,776,158 Funds and equities 214,351 214,351 Others 22,089,650 22,089,650 AFS investments: Quoted equity shares 7,003,083,175 7,003,083,175 Unquoted equity shares 752,935,232 752,935,232 Unquoted equity shares at cost* 456,808,332 270,441,094 Bonds 684,500,101 684,500,101 Funds and equities 468,836,089 468,836,089 **Proprietary shares** 194,320,323 194,320,323 15,303,612,446 ₱9,545,696,072 ₱ 4,887,049,035 ₱ 684,500,101

^{*} The change in carrying amount is a result of decrease in fair value and foreign currency adjustment amounting to ₱186.2 million and ₱0.2 million, respectively.

As at January 1, 2017

		PFRS 9 measurement category					
			Financial		Financial		
		As previously	Assets at	Amortized	Assets at		
		reported	FVPL	Cost	FVOCI		
PAS 39 measurement category							
Loans and receivables:							
Cash and short-term							
investments	₽	2,474,239,518	₱ –	₱ 2,474,239,518 ₱	_		
Receivables		2,027,489,952	_	2,027,489,952	_		
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	_	_		
AFS investments:							
Quoted equity shares		5,671,746,053	5,671,746,053	_	_		
Unquoted equity shares		1,097,757,074	1,097,757,074	_	_		
Unquoted equity shares at cost	*	305,216,162	253,506,557	_	_		
Bonds		847,825,052	_	_	847,825,052		
Funds and equities		254,471,051	254,471,051	_	_		
Proprietary shares		184,210,321	184,210,321	_	_		
	₽	13,632,635,314	₱8,231,371,187	₱ 4,501,729,470 ₱	847,825,052		

^{*} The change in carrying amount is a result of decrease in fair value amounting to ₱51.7 million.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss. Upon the adoption of PFRS 9, the Group did not recognize additional impairment on the Group's trade receivables and other debt instruments not held at fair value through profit or loss. Impairment losses, if any, do not reduce the carrying amount of debt instruments at fair value through OCI in the consolidated balance sheet, which remains at fair value.

(c) Other adjustments

In addition to the adjustments described above, upon adoption of PFRS 9, other items of the consolidated financial statements such as foreign exchange gain (loss) - net, other income - net, income tax expense and retained earnings were adjusted to recognize the changes in the classification and measurement of the Group's financial assets.

- Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4
- PFRS 15, Revenue from Contracts with Customers

PFRS 15 supersedes PAS 11, Construction Contracts, PAS 18, Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted PFRS 15 using the full retrospective method of adoption.

With the adoption of PFRS 15, the Group reclassified "Refundable deposits" and a portion of "Trade payables" under "Accounts payable and accrued expenses" amounting to \$\textstyle{2}\)241.9 million and \$\textstyle{2}\)19.4 million as of December 31, 2018 and 2017, respectively, to "Contract liabilities" account. Aside from the reclassification of advances from customers, there are no other changes in the Group's revenue processes, policies and procedures and revenue recognition accounting policy. In addition, there are no significant judgments and estimates involved in the Group's revenues from contracts with customers (i.e., sale of goods and services) since the performance obligations are easily identifiable and there are no variable considerations that should be considered in determining the transaction price. Accordingly based on management's assessment, the adoption of PFRS 15 has no significant impact on the Group's consolidated financial statements.

- Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, Investment Property, Transfers of Investment Property
- Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2018

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 will 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, 2019

- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- 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 19, Employee Benefits, Plan Amendment, Curtailment or Settlement
 The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement
 occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or
 settlement occurs during the annual reporting period, an entity is required to:
 - Determine current service cost for the remainder of the period after the plan amendment, curtailment
 or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability
 (asset) reflecting the benefits offered under the plan and the plan assets after that event.
 - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- 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, *Income Taxes*, 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.

- Annual Improvements to PFRSs 2015-2017 Cycle
 - Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation
 - Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity
 - Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business
- Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

Effective beginning on or after January 1, 2021

PFRS 17, Insurance Contracts

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

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 Ow		nership	
	Nature of Business	2018	2017	2016	
A. Soriano Air Corporation (Note 31)	Services/Rental	100	100	100	
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	62	62	62	
Island Aviation, Inc. (IAI, Note 31)	Air Transport	62	62	62	
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	100	100	100	
Anscor Holdings, Inc. (AHI, formerly					
Goldenhall Corporation, Note 31)	Real Estate Holding	100	100	100	
Akapulko Holdings, Inc.	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.	Real Estate Holding	100	100	100	
Makisig Holdings, Inc.	Real Estate Holding	100	100	100	
Malikhain Holdings, Inc.	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 7 and 31)	Investment Holding	100	100	100	
Minuet Realty Corporation (Minuet, Note 7)	Landholding	100	100	100	
Phelps Dodge Philippines Energy	5				
Products Corporation (PDP Energy,					
Notes 7 and 31)	Wire Manufacturing	100	100	100	
PD Energy International Corporation	5				
(PDEIC, Note 7)	Wire Manufacturing	100	100	100	
Sutton Place Holdings, Inc. (Sutton)	Investment Holding	100	100	100	
Cirrus Global, Inc. (CGI, Notes 8 and 31)	Manpower Services	_	93	93	
Anscor International, Inc. (Al, Note 14)	Investment Holding	100	100	100	
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	100	100	100	
IQ Healthcare Professional Connection,	•				
LLC (IQHPC, Note 31)	Manpower Services	93	93	93	
Cirrus Medical Staffing, Inc.					
(Cirrus, Notes 8 and 31)	Manpower Services	_	_	94	
Cirrus Holdings USA, LLC					
(Cirrus LLC, Notes 8 and 31)	Manpower Services	_	_	94	
Cirrus Allied, LLC (Cirrus Allied,	manpower dervided			J.	
Notes 8 and 31)	Manpower Services	_	_	94	
NurseTogether, LLC (NT, Note 8)	Online Community			J.	
113.36 10961161, 220 (111, 11016 0)	Management	_	_	94	
(Forward)	management			3 1	
(· -· · · · · · · · · · · · · · · · · ·					

		Percer	ntage of Ow	nership
	Nature of Business	2018	2017	2016
AFC Agribusiness Corporation (AAC, Note 16)	Real Estate Holding	81	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI,	Villa Project			
Notes 7 and 31)	Development	62	62	62
Pamalican Resort, Inc. (PRI, Notes 7 and 31)	Resort Operations	62	62	62
Summerside Corp. (Summerside)*	Investment Holding	40	40	40

^{*}As at December 31, 2018 and 2017, 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):

	2018	2017
Balance Sheets:		
Current assets	₱ 731.6	₱ 512.8
Noncurrent assets	975.1	1,013.4
Current liabilities	414.3	364.7
Noncurrent liabilities	149.7	154.2
Equity	1,142.7	1,007.3
Equity attributable to NCI	430.8	379.8
	2018	2017
Statements of Comprehensive Income:		
Revenue	₱ 1,105.9	₱ 874.6
Income from continuing operations, before tax	283.5	128.2
Net income	235.3	100.5
Other comprehensive income (loss)	4.2	(4.7)
Total comprehensive income	239.5	95.8
Total comprehensive income		
allocated to NCI during the year	90.3	36.1
	2018	2017
Statements of Cash Flows:		
Cash flows from operations	₱ 389.6	₱ 149.8
Cash flows used in investing activities	(66.8)	(123.0)
Cash flows used in financing activities	(94.8)	(127.3)

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 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 as at December 31, 2017 and was derecognized upon the sale of CGI (see Note 8).

Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Investments in Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit or loss, 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 the consolidated profit or loss.

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

		Perce	ntage of Ow	nership
	Nature of Business	2018	2017	2016
Vicinetum Holdings, Inc. (VHI)	Investment Holding	32	32	32
Prople Limited (Note 14)	Business Process Outsourcing	32	32	32
AGP Group Holdings Pte. Ltd.				
(AG&P, Note 14) (formerly AGP				
International Holdings Ltd., AGPI)	Investment Holding	27	27	27
Fremont Holdings, Inc. (FHI, Note 14)	Real Estate Holding	25	_	_
BehaviorMatrix, LLC (BM, Note 14)	Behavior Analytics Services	21	21	21
ATRAM Investment Management				
Partners Corp. (AIMP, Note 14)	Asset Management	20	20	_
Prople Limited (Note 14) AGP Group Holdings Pte. Ltd. (AG&P, Note 14) (formerly AGP International Holdings Ltd., AGPI) Fremont Holdings, Inc. (FHI, Note 14) BehaviorMatrix, LLC (BM, Note 14) ATRAM Investment Management	Business Process Outsourcing Investment Holding Real Estate Holding Behavior Analytics Services	27 25 21	32 27 – 21	32 27

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 14).

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 14).

In 2018, Anscor invested ₱180.4 million in FHI. The investment, which is equivalent to 75,273,228 common shares, gave the Company a total of 25% interest in the entity (see Note 14).

The principal business location of AIMP, VHI and FHI is the Philippines. AG&P, 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 PFRS 9 is measured at fair value with changes in fair value recognized in the consolidated profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated profit or loss. 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 the consolidated 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 profit or loss.

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 comprehensive 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 FVPL equity instruments are recognized in the consolidated profit or loss.

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 profit or loss.

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 the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI 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 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 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 FVPL 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition and measurement of financial instruments

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVPL. Financial liabilities are classified and measured as financial liabilities at FVPL amortized cost.

Classification of financial instruments

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVPL

As at December 31, 2018 and 2017, 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, financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss, or financial assets and liabilities mandatorily required to be measured at fair value. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 profit or loss. 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, 2018 and 2017.

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.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment occurs only if there is either a change in the terms of the contract that significantly modifies the cash flows that would be otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

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, 2018 and 2017, the Group has designated as FVPL all equity investments, money market papers, investments in bonds that have callable and other features, managed/hedged funds and derivatives amounting to ₱9,437.9 million and ₱9,545.7 million, respectively (see Note 10). No financial liability at FVPL is outstanding as at December 31, 2018 and 2017.

(b) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely
 payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated profit or loss when the asset is derecognized, modified or impaired.

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 as interest income in the consolidated profit or loss. The losses arising from impairment of such financial assets are recognized as "Valuation allowances" account under "Other income (charges) - net" in the consolidated profit or loss.

Included under financial assets at amortized cost 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) Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated profit or loss and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI.

When the debt instrument is disposed of, the cumulative gain or loss previously recognized under OCI is transferred to profit or loss as "Gain (loss) on sale of FVOCI 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 FVOCI investments are reported as interest income using the effective interest rate.

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

As at December 31, 2018 and 2017, the Group's FVOCI investments include investments in bonds amounting to ₱694.3 million and ₱684.5 million, respectively (see Note 13).

(d) Financial liabilities - loans and borrowings

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 EIR method. Gains and losses are recognized in the consolidated profit or loss 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, 2018 and 2017, included in this category are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such 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 profit or loss.

Impairment of Financial Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at FVOCI comprise solely of top investment grade bonds that are graded by top credit rating agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the top credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

"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 profit or loss 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 profit or loss 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 from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

Sale of goods

Revenue from the sale of goods is recognized at a point in time when the control over the goods are transferred to the buyer which is generally upon delivery of the goods.

Sale of real estate

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

Revenue from villa development project including handling fee is recognized under the completed contract method. Under this method, revenue is recognized at a point in time only when the control of the asset is transferred to the customer, generally when the villa clusters have been constructed, turned over to and accepted by the buyer and the title to the property is transferred to the buyer.

Rendering of services

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

Revenue on nurse placements is recognized upon the 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 air transport services is recognized at a point in time when the related services has been substantially performed.

Project management fees and other income

Revenue from project management fees and other income is recognized at a point in time when the control of the services is transferred to the customer, generally on delivery of the services.

Other Income

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 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 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 and development cost incurred in the construction of the villas.

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 the consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

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.

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 profit or loss 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 profit or loss 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 profit or loss.

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.

Contract Balances

Trade receivables

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligations under the contract.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets include restricted cash funds for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Deposits to suppliers in relation to aircraft maintenance and acquisition of specific property and equipment are also classified as part of other noncurrent assets.

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 and the effects of retrospective restatement recognized in accordance with the PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

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 profit or loss 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.

<u>Leases</u>

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 profit or loss 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 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 the consolidated 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 the consolidated 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 profit or loss, 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 the 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 profit 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 the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit 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 profit or loss.

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 consolidated balance sheet. 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 consolidated balance sheet 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, net income from continuing operations and the total comprehensive income attributable to the equity holders of the Parent 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, 2018, 2017 and 2016.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD 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 the reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the 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 6.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs 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 30).

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2018 and 2017, the Group made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

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 FVPL investment as at December 31, 2016 (see Note 2). In 2017, Anscor sold all of its shares in Enderun (see Note 10).

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.

Provision for expected credit losses of receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type and rating).

The provision matrix is initially based on the Group's historically observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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. These reserves are re-evaluated and adjusted as additional information is received.

Allowance for expected credit losses as at December 31, 2018 and 2017 amounted to ₱638.0 million and ₱625.2 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,271.1 million and ₱1,865.2 million as at December 31, 2018 and 2017, respectively (see Notes 11 and 14).

Valuation of unquoted FVPL equity investments

Valuation of unquoted FVPL 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.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's unquoted FVPL equity instruments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 30).

Unquoted FVPL equity investments amounted to ₱1,086.2 million and ₱1,023.4 million as at December 31, 2018 and 2017, respectively (see Notes 2 and 10).

Impairment of FVOCI debt investments

For FVOCI 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 credit risk on that financial instrument has increased significantly since initial recognition. The Group did not recognize impairment loss in 2018 and 2016. Impairment loss recognized in 2017 amounted to P82.9 million (see Note 24). The carrying value of FVOCI debt investments amounted to P694.3 million and P684.5 million as at December 31, 2018 and 2017, respectively (see Note 13).

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 ₱82.0 million and ₱84.5 million as at December 31, 2018 and 2017, respectively. The carrying amount of the inventories amounted to ₱1,030.5 million and ₱817.4 million as at December 31, 2018 and 2017, respectively (see Note 12).

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, 2018 and 2017, the carrying value of property and equipment amounted to ₱2,560.8 million and ₱2,668.2 million, respectively (see Note 15).

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 four years as well as the terminal value at the end of fourth year. 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 ₱1,581.0 million and ₱1,570.1 million as at December 31,2018 and 2017, respectively (see Note 14).

Impairment of nonfinancial 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, 2018 and 2017, the carrying value of property and equipment and investment properties amounted to ₱2,798.9 million and ₱2,904.7 million, respectively (see Notes 15 and 16).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2018 (see Notes 15 and 16).

(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. In 2017, the Group sold its investment in Cirrus including goodwill allocated to Cirrus (see Note 8).

As at December 31, 2018 and 2017, the carrying value of goodwill amounted to ₱1,302.3 million (see Note 7).

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, 2018 and 2017, the Group recognized deferred income tax assets amounting to P84.6 million and P75.2 million, respectively (see Note 26).

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, 2018 and 2017 amounted to ₱65.4 million and ₱93.7 million, respectively. Net retirement benefits payable as at December 31, 2018 and 2017 amounted to ₱12.9 million and ₱9.2 million, respectively. Further details are provided in Note 25.

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 25.

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 33, respectively.

5. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the Year Ended December 31, 2018							
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total			
		-	-				
₽	8,292,508,630	₽ - ₽	_	₱8,292,508,630			
	_	1,100,825,407	213,879,440	1,314,704,847			
₽	8,292,508,630	₱1,100,825,407 ₱	213,879,440	₱9,607,213,477			
₽	8,292,508,630	₱ 556,054,029 ₱	213,879,440	₱9,062,442,099			
	_	544,771,378	_	544,771,378			
₽	8,292,508,630	₱ 1,100,825,407 ₱	213,879,440	₱9,607,213,477			
	₽₽	Wire Manufacturing ■ 8,292,508,630 ■ 8,292,508,630 ■ 8,292,508,630 ■ 8,292,508,630 ■	Resorts Operations and Villa Development 8,292,508,630 P - P 8,292,508,630 P 1,100,825,407 P 8,292,508,630 P 556,054,029 P -	Resorts Operations Operations Operations Other Manufacturing Development Operations* 8,292,508,630 P			

^{* &}quot;Other Operations" include ASAC, AHI, and Sutton. Financial performance of CGI is included up to the date of disposal.

		F	For the Year Ended	l December 31, 2	017
		Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Category			•	-	
Type of goods or service:					
Goods	₱	7,188,994,574	- ₱	- 1	₹ 7,188,994,574
Services		_	861,146,448	198,649,756	1,059,796,204
Total revenue from contracts					
with customers	₽	7,188,994,574	● 861,146,448 ₱	198,649,756	[●] 8,248,790,778
Timing of revenue recognition:					
At a point in time	₽	7,188,994,574	● 432,060,790 ₱	198,649,756	₹ 7,819,705,120
Over time		_	429,085,658	_	429,085,658
Total revenue from contracts					
with customers	₽	7,188,994,574	[●] 861,146,448 ₱	198,649,756	³ 8,248,790,778
·		·	·	·	·

^{* &}quot;Other Operations" include ASAC, AHI, and Sutton.

	For the Year Ended December 31, 2016								
		Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total				
Category			-	-					
Type of goods or service:									
Goods	₽	6,608,154,597	₱ -	₱ -	₱ 6,608,154,597				
Services		_	688,165,664	222,813,568	910,979,232				
Real estate		_	633,912,337	_	633,912,337				
Total revenue from contracts									
with customers	₽	6,608,154,597	₱1,322,078,001	₱ 222,813,568	₱ 8,153,046,166				
Timing of revenue recognition: At a point in time	₽	6,608,154,597		₱ 222,813,568	₱ 7,798,468,913				
Overtime		_	354,577,253	_	354,577,253				
Total revenue from contracts with customers	₽	6 608 154 507	₱1,322,078,001	₱ 222.813.568	₱ 8,153,046,166				
WILLI CUSTOTILETS	F	0,000,104,091	1 1,322,070,001	1 222,013,000	1 0,133,040,100				

^{* &}quot;Other Operations" include ASAC, AHI, APHI and Sutton.

Set out below, is the Group's contract liabilities:

			2017		2016
			(As restated -		(As restated -
	2018		Note 2)		Note 2)
Refundable deposits	200,866,484	₽	138,193,658	₽	118,155,176
Advances from customers	41,056,559		53,244,572		45,986,682
	P 241,923,043	₽	191,438,230	₽	164,141,858

Contract liabilities include advance payments made by guests and customer advances received as deposits and advance payment on customers' orders. In 2018 and 2017, the Group recognized revenue from sales of goods − net and services from the contract liabilities amounting to ₱191.4 million and ₱164.1 million, respectively (see Note 19).

Information about the Group's performance obligations are summarized below:

Sale of goods

The Company enters into contracts to sell with one identified performance obligation, which is satisfied upon delivery of the goods. Receivables are generally collected within 30 to 60 days from the delivery of goods and receipt of invoice.

Villa development project

The performance obligation is satisfied at a point in time and payment is generally received in advance during the construction of the villa clusters.

Resort operations

This pertains to the services provided to the guests which is satisfied over time. Payments are received in advance from the guests.

6. 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 PFRSs.

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 8).

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.

Other operations include air transportation, hangarage, real estate holding and management, and recruitment services. On September 28, 2018, the Group sold its interest in Cirrus Global, Inc. which serves as the recruitment services segment of the Group (see Note 8).

Amounts for the investments in associates comprise the Group's equity in net losses - net of valuation allowance.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2018, 2017 and 2016 (in thousands):

		Res	ort						
	Holding	Operations a	ınd	Cable and					
	Company	V	lla	Wire	Other				
	(Parent)	Developme	ent M	/lanufacturing	Operations ¹	Total	Eliminations		Consolidated
As of and for the year ended									
December 31, 2018									
Revenues, excluding interest income ²	₱ 1,334,003	₽ 1,100,8	25 P	8,292,509	₽ 902,925	₽ 11,630,262	(₱ 1,983,455)	P	9,646,807
Interest income	103,635	3,4	75	1,242	1,164	109,516	_		109,516
Investment gains	475,201		-	408	(217,002)	258,607	(233,926)		24,681
Interest expense	39,744		-	29,938	3,226	72,908	_		72,908
Income tax expense	50,976	48,2	87	246,503	9,080	354,846	(7,627)		347,219
Equity in net losses - net of									
valuation allowance	_		-	_	(262,184)	(262,184)	-		(262,184)
Net income	773,025	235,2	53	636,442	533,770	2,178,490	(1,273,667)		904,823
Total assets	18,057,699	1,706,7	22	4,320,601	12,581,118	36,666,140	(14,376,129)		22,290,011
Investments and advances	7,190,993	69,1	95	_	2,483,424	9,743,612	(8,161,768)		1,581,844
Property and equipment	15,984	778,1	53	616,372	68,962	1,479,471	1,081,359		2,560,830
Total liabilities	1,030,541	563,9	53	1,258,638	2,791,694	5,644,826	(2,454,250)		3,190,576
Depreciation and amortization	9,319	101,2	74	(74,118)	43,972	80,447	172,373		252,820
Impairment loss	_	(7,3	i 8)	15,257	1,498	9,397	_		9,397
Cash flows from (used in):									
Operating activities	567,601	389,5	97	332,922	50,258	1,340,378	(426,393)		913,985
Investing activities	(17,401)	(66,80	16)	(61,244)	645,555	500,104	(908,942)		(408,838)
Financing activities	(1,054,270)	(94,74	16)	(151,429)	(624,515)	(1,924,960)	927,370		(997,590)
<u> </u>			•	. , ,	, , ,		•		. , ,

¹ "Other Operations" include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net losses of associates - net of valuation allowance. Financial performance of CGI is included up to the date of disposal.

² All revenues of the Group were derived in the Philippines.

Before Eliminations (As restated – Note 2)								
			Resort					
	Nurse/PT	Holding	Operation and					
	Staffing	Company	Villa	Cable and Wire	Other			
	Company ⁴	(Parent)	Development	Manufacturing	Operations ¹	Total	Eliminations ³	Consolidated
As of and for the year ended								
December 31, 2017								
Revenues, excluding								
interest income ²	2,028,265	₱ 831,590	₱ 861,146	₹ 7,188,995	₱ 616,609	₱ 11,526,605	(₱ 3,504,226)	₱ 8,022,379
Interest income	1	87,909	3,529	2,297	5,841	99,577	(700)	98,877
Investment gains	-	1,541,972	-	5,121	857,668	2,404,761	58,540	2,463,301
Interest expense	5,386	45,912	_	36,042	3,184	90,524	(5,386)	85,138
Income tax expense (benefit)	(5,073)	10,169	27,681	213,072	10,486	256,335	(2,899)	253,436
Equity in net losses - net of								
valuation allowance	-	_	-	_	(497,099)	(497,099)	-	(497,099)
Net income (loss)	(47,637)	2,173,508	100,523	546,008	570,393	3,342,795	(706,791)	2,636,004
Total assets	-	18,928,517	1,526,424	3,824,469	12,838,128	37,117,538	(14,771,342)	22,346,196
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	55,624	249,761
Impairment loss	111,599	82,906	4,662	9,506	3,737	212,410	(112,209)	100,201
Cash flows from (used in):								
Operating activities	206,562	743,752	197,556	313,737	166,200	1,627,807	(132,315)	1,495,492
Investing activities	(3,637)	1,168,955	(111,939)	(145,832)	(57,715)	849,832	(203,167)	646,665
Financing activities	(161,618)	(1,055,032)	(186,114)	(511,429)	9,577	(1,904,616)	612,995	(1,291,621)

[&]quot;Other Operations" include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net earnings (losses) of associates - net of valuation allowance. Except for the Nurse/PT Staffing Company operating in US, all revenues of the Group were derived from Philippines.

Including operating results from discontinued operations.

Sold on October 19, 2017. Financial performance shown is up to the date of disposal.

Before Eliminations (As restated – Note 2)									
			Resort						
	Nurse/PT	Holding	Operation and						
	Staffing	Company	Villa	Cable and Wire	Other				
	Company	(Parent)	Development	Manufacturing	Operations ¹	Total	Eliminations ³		Consolidated
As of and for the year ended									
December 31, 2016									
Revenues, excluding									
interest income ² ₽	2,572,502	₱ 856,376	₱ 1,322,078	₱ 6,608,155	₱ 711,787	₱ 12,070,898	(₱ 3,771,828)	P	8,299,070
Interest income	1,756	83,174	2,921	2,147	226	90,224	3,331		93,555
Investment gains	_	1,432,520	_	4,009	(60,213)	1,376,317	114,812		1,491,128
Interest expense	494	57,309	403	45,737	3,308	107,251	1,262		108,513
Income tax expense	108,724	20,838	35,226	255,704	11,292	431,784	(114,001)		317,783
Equity in net losses - net of									
valuation allowance	-	_	_	-	(72,774)	(72,774)	_		(72,774)
Net income	184,916	2,213,551	379,544	752,769	352,033	3,882,813	(1,217,589)		2,665,224
Total assets	1,151,194	17,752,778	1,631,042	3,905,133	12,047,796	36,487,943	(15,005,819)		21,482,124
Investments and advances	692,974	7,872,221	83,260	-	3,320,537	11,968,992	(10,025,418)		1,943,574
Property and equipment	3,897	23,922	809,384	568,299	108,568	1,514,070	1,134,661		2,648,731
Total liabilities	636,602	1,911,194	517,614	1,525,781	3,969,245	8,560,436	(3,780,435)		4,780,001
Depreciation and amortization	4,356	8,095	97,312	96,178	30,224	236,165	(6,452)		229,713
Impairment loss	8,332	62,773	_	15,814	(3,715)	83,204	(80,378)		2,826
Cash flows from (used in):									
Operating activities	304,444	593,426	90,277	809,980	53,212	1,851,339	(870,043)		981,296
Investing activities	(1,441)	711,084	(83,242)	(62,793)	3,897	567,505	(46,909)		520,596
Financing activities	(312,284)	(918,317)	(10,869)	(421,429)	(56,688)	(1,719,587)	843,057		(876,530)

[&]quot;Other Operations" include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net earnings (losses) of associates - net of valuation allowance. Except for the Nurse/PT Staffing Company operating in US, all revenues of the Group were derived from Philippines. Including operating results from discontinued operations.

7. 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. As at December 31, 2018 and 2017, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

PDP	₽	1,202,945,277
SSRLI		99,330,987
	₽	1,302,276,264

In 2017, the Group sold its investment in Cirrus. Goodwill amounting to ₱587.2 million was derecognized upon the sale of investment (see Note 8).

b. Impairment Testing of Goodwill

i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-inuse 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, 2018 and 2017 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 2018 and 2017 are 17.4% and 18.3%, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4.1% and 5.5% in 2018 and 2017, respectively, and the difference between the discount rate and growth rate.

Growth rate

PDP Group assumed a growth rate of 0.4% to 2.3 % in 2018 and 1.0% to 5.0% in 2017. 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-inuse 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, 2018 and 2017 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 2018 and 2017 are 14.5% and 12.8%, 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% in 2018 and 2017 and the difference between the discount rate and growth rate.

Growth rate

Growth rate assumptions for the five-year cash flow projections in 2018 and 2017 are supported by the different initiatives of SSRLI. SSRLI used 7.0% to 12.1% and 3.0% to 9.0% growth rate in revenue for its cash flow projection in 2018 and 2017, 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.

8. Deconsolidated Subsidiaries

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 profit or loss 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 6).

The results of Cirrus are presented below (in thousands):

		iod Ended ctober 19, 2017	D	Year Ended ecember 31, 2016
Revenues	₽	2,021,126	₽	2,574,258
Cost of services	(1	,569,503)		(2,026,219)
Gross profit		451,623		548,039
Expenses		(504,333)		(254,399)
Income (loss) before income tax		(52,710)		293,640
Provision for (benefit from) income tax		(5,073)		108,724
Net income (loss) from a				
deconsolidated subsidiary	(₱	47,637)	₽	184,916
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

The net cash flows from (used in) the activities of Cirrus are as follows (in thousands):

		Period Ended October 19, 2017		Year Ended December 31, 2016
Operating	₽	206,562	₽	304,444
Investing		(3,637)		(1,441)
Financing		(161,618)		(312,284)
Net cash inflow (outflow)	₽	41,307	(₱	9,281)

On September 28, 2018, the Group, through its wholly - owned subsidiary, Sutton, entered into a Share Purchase Agreement with third party individuals, effectively selling the Group's entire shareholdings in CGI equivalent to 93.17% of the latter's total outstanding shares. As a result, the Group consolidated CGI's 2018 statement of comprehensive income up to the date of sale.

Total loss on disposal of CGI recognized in the 2018 consolidated profit or loss amounted to ₱6.1 million.

9. Cash and Cash Equivalents

		2018		2017
Cash on hand and with banks	₽	1,601,784,276	₽	1,636,218,697
Short-term investments		1,163,730,790		1,619,315,971
	₽	2,765,515,066	₽	3,255,534,668

Cash with banks earn interest at the respective bank deposit rates ranging from 0.25% to 1.60%, 0.10% to 1.25% and 0.25% to 1.25% in 2018, 2017 and 2016, respectively. Short-term investments with interest rates ranging from 0.36% to 6.50%, 0.16% to 2.64% and 0.16% to 0.55% in 2018, 2017 and 2016, respectively, are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 24).

10. FVPL Investments

				2017
				(As restated -
		2018		Note 2)
Quoted equity shares	₽	6,588,212,129	₽	7,003,083,175
Unquoted equity shares		1,086,225,778		1,023,376,326
Funds and equities		766,122,276		469,050,440
Bonds		655,218,123		833,776,158
Proprietary shares		324,377,072		194,320,323
Others		17,792,108		22,089,650
	₽	9,437,947,486	₽	9,545,696,072

This account consists of investments that are designated as FVPL and held-for-trading investments. 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, 2018 and 2017 which are assessed to be the exit prices.

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.

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.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 3.50% to 9.00%, 3.38% to 9.00% and 3.50% to 13.13% in 2018, 2017 and 2016, respectively.

As at December 31, 2018 and 2017, the Group has equity investments amounting to ₱8,782.7 million and ₱8,711.9 million, respectively.

As at December 31, 2018 and 2017, the Company has FVPL investments amounting to ₱1,185.1 million and ₱2,327.8 million, respectively, that are pledged as collateral for its long-term debt (see Note 20).

The Group's FVPL unquoted equity shares and significant investment in funds and equities include the following:

a. KSA Realty Corporation (KSA)

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.

In 2018, the Company recognized \$\int\$188.7 million gain on fair value adjustment in its investment in KSA which is presented in the consolidated profit or loss.

As at December 31, 2018 and 2017, the Company's investment in KSA amounted to ₱941.7 million and ₱752.9 million, respectively (see Note 30).

The Company received cash dividends from KSA amounting to ₱151.4 million in 2018 and ₱114.2 million in 2017 and 2016.

b. Macquarie ASEAN Technology Investment Holdings II LP (Macquarie)

On July 13, 2018, the Company invested US\$5.0 million (\$\P266.2\$ million) in Macquarie, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. (Grab). Grab is a Singapore-based technology company that offers ride-hailing transport services, food delivery and payment solutions through GrabTaxi, Grab Food and GrabPay.

As at December 31, 2018, total investment in Macquarie, inclusive of foreign exchange adjustment, amounted to ₱262.9 million. Investment in Macquarie is included under "funds and equities" account.

c. Y-mAbs Therapeutics, Inc. (Y-mAbs)

In December 2015, IQHPC invested US\$1.0 million (₱47.1 million) in Y-mAbs, a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer.

On November 10, 2016, IQHPC made additional investments to Y-mAbs amounting to US\$0.8 million (\$\mathbb{P}\$36.5 million). In November 2016, IQHPC transferred its investment of 399,544 shares of common stock in Y-mAbs to Al.

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

On September 22, 2018, Y-mAbs was listed in NASDAQ. Prior to the listing, the Group acquired additional investments to Y-mAbs amounting to US\$2.3 million (₱124.6 million) in 2018.

In 2018, AI recognized ₱451.8 million gain on fair value adjustment in its investment in Y-mAbs which is presented in the consolidated profit or loss.

As at December 31, 2018 and 2017, the Group's total investment in Y-mAbs, inclusive of foreign exchange adjustment, amounted to ₱732.5 million presented under quoted equity shares and ₱152.2 million presented under unquoted equity shares, respectively.

d. Madaket, Inc. (Madaket)

In May 2017, AI invested US\$1.0 million (P49.7 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.

Al recognized fair value adjustment in its investment in Madaket, Inc. amounting to a gain of ₱21.0 million and a loss of ₱40.3 million in 2018 and 2017, respectively.

As at December 31, 2018 and 2017, the Group's total investment in Madaket, inclusive of foreign exchange adjustment, amounted to \$\bigsig 31.2\$ million and \$\bigsig 9.6\$ million, respectively.

e. Element Data, Inc. (Element Data)

In June 2017, Al invested US\$1.0 million (P49.5 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, Al invested additional US\$1.0 million (₱50.6 million) in Series Seed preferred shares of Element Data.

In 2018 and 2017, AI recognized losses on fair value adjustment amounting to ₱12.0 million and ₱87.0 million, respectively, in its investment in Element Data.

Total investment in Element Data, inclusive of foreign exchange adjustment, amounted to ₱1.5 million and ₱12.8 million as at December 31, 2018 and 2017, respectively.

f. Navegar I L.P. (Navegar)

In March 2013, Al invested US\$0.6 million (\$\bigsi26.4 million) in Navegar, a limited partnership established to acquire substantial minority position through privately negotiated investments in equity and equity-related securities of Philippine companies that are seeking growth capital and/or expansion capital.

In July 2017, AI invested additional US\$0.1 million (₱1.2 million).

In October 2018, the disposal of Navegar's investments resulted to the return of capital and gain amounting to US\$0.3 million (₱13.4 million) and US\$0.8 million (₱43.5 million), respectively.

In 2018 and 2017, Al recognized fair market value adjustment in its investment in Navegar amounting to a loss of \$\bigsi20.2\$ million and a gain of \$\bigsi20.6\$ million, respectively.

Total investment in Navegar, inclusive of foreign exchange adjustment, amounted to ₱17.6 million and ₱48.4 million as at December 31, 2018 and 2017, respectively.

g. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, Al 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.

In 2018, AI made additional investments to Sierra Madre amounting to US\$1.0 million (₱51.6 million).

In 2018 and 2017, AI recognized losses on fair value adjustment amounting to ₱3.3 million and ₱12.2 million, respectively.

As at December 31, 2018 and 2017, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to ₱47.1 million and nil, respectively.

h. 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 fair value of the investment in Enderun amounted to \$\textstyle{2}86.2\$ million as at December 31, 2016.

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

As at December 31, 2016, investment in Enderun was classified as FVPL investment because the Company had no significant influence over Enderun (see Note 4).

In 2017, the Company sold its shares in Enderun for ₱370.0 million which resulted to a gain of ₱83.8 million.

The carrying value of the investment in Enderun amounted to nil as at December 31, 2018 and 2017.

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

In 2012, Al 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.

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

	(Losses) i	Valuation Gains n Market Value ecember 31	Gains (Losses) on Increase (Decrease) in Market
		2017	Value of FVPL
	2018	(As restated – Note 2)	Investments in 2018
Quoted equity shares	₱ 2,242.3	₱ 2,357.6	(₱ 115.3)
Unquoted equity shares	487.5	280.7	206.8
Proprietary shares	286.7	179.6	107.1
Bonds	(54.9)	(16.9)	(38.0)
Funds and equities	(41.8)	(9.8)	(32.0)
Others	(7.6)	1.5	(9.1)
Total	2,912.2	2,792.7	119.5
Add realized gain on sale of FVPL			
investments			(86.0)
Net gain on increase in market			
value of FVPL investments			₱ 33.5

	(Losses) In	aluation Gains Market Value	Gains (Losses) on Increase (Decrease) in Market Value of FVPL
	as at _Dec 2017 (As restated –	cember 31 2016 (As restated –	Investments in 2017 (As restated –
	(As restated – Note 2)	Note 2)	Note 2)
Quoted equity shares	₱ 2,357.6	₱ 1,218.7	₱ 1,138.9
Unquoted equity shares	280.7	457.8	(177.1)
Bonds	179.6	(22.2)	5.3
Funds and equities	(16.9)	(15.8)	6.0
Proprietary shares	(9.8)	170.1	9.5
Others	1.5	60.5	(59.0)
Total	2,792.7	1,869.1	923.6
Add realized gain on sale of FVPL			
investments			427.9
Net gain on increase in market			
value of FVPL investments			₱ 1,351.5

	Unrealized Va (Losses) In as at Dec	Market Value	Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2016		in 2016
	(As restated -	2015	(As restated -
	Note 2)	(As restated*)	Note 2)
Quoted equity shares	₱ 1,218.7	(₱ 3.1)	₱ 1,221.8
Unquoted equity shares	457.8	509.5	(51.7)
Bonds	(22.2)	(43.8)	21.6
Funds and equities	(15.8)	(11.4)	(4.4)
Proprietary shares	170.1	174.6	(4.5)
Others	60.5	57.8	2.7
Total	1,869.1	683.6	1,185.5
Add realized loss on sale of FVPL			
investments			(46.3)
Net gain on decrease in market			
value of FVPL investments			₱ 1,139.2

^{*} Balances were restated to include the retrospective effect of PFRS 9.

There were no outstanding forward transactions as at December 31, 2018, 2017 and 2016.

11. Receivables

		2018		2017
Trade	₽	1,837,485,963	₽	1,632,172,618
Note receivable		240,030,000		_
Tax credits/refunds		180,109,900		151,666,043
Interest receivable		33,693,522		22,637,770
Receivables from villa owners		15,179,905		13,106,894
Advances to employees		14,295,820		13,285,580
Dividend receivable		3,299,071		3,299,071
Others		19,390,178		7,679,219
		2,343,484,359		1,843,847,195
Less allowance for expected credit losses		73,242,670		60,398,297
	₽	2,270,241,689	₱	1,783,448,898

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

Note receivable amounting to ₱240.0 million pertains to a one-year convertible note and security agreement with Powersource Group Holdings Corporation (Powersource) to provide a pre-development support and pre-development funding for the projects of Powersource. The Company may exercise its option to convert the note into common shares upon execution of subscription agreement within the agreed time frame or to convert the loan and all outstanding interest on maturity date. The interest on the loan shall be six percent (6%) per annum, which shall accrue beginning from the issuance of the loan and be due and payable every end of the quarter. Total interest income recognized in the consolidated profit or loss amounted to ₱5.9 million in 2018 (see Note 24). As at December 31, 2018, the carrying amount of convertible note amounted to ₱240.0 million.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and FVOCI 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.

Movements in the allowance for expected credit losses of trade and other receivable accounts are as follows:

				Interest and		
2018		Trade		Others		Total
At January 1	₽	57,974,044	₽	2,424,253	₽	60,398,297
Provision for the year (Note 24)		15,430,275		_		15,430,275
Write-off		(14,716)		_		(14,716)
Recovery (Note 24)		(2,571,186)		_		(2,571,186)
At December 31	₽	70.818.417	₽	2.424.253	₽	73.242.670

				Interest and		
2017		Trade		Others		Total
At January 1	₽	63,025,260	₽	2,424,253	₽	65,449,513
Provision for the year (Note 24)		12,541,567		_		12,541,567
Write-off		(17,592,783)		_		(17,592,783)
At December 31	₽	57,974,044	₽	2,424,253	₽	60,398,297

12. Inventories

(Forward)

	2018		2017
At cost:			
Raw materials	141,218,087	₽	96,975,868
Materials in transit	32,862,852		15,868,813
Food and beverage	13,588,467		13,367,144
Aircraft parts in transit	8,694,321		8,636,559
Reel inventory	5,661,835		4,176,818
-	202,025,562		139,025,202
At net realizable value: Finished goods - net of allowance for inventory obsolescence of ₱23.8 million in 2018 and ₱22.0 million in 2017 Work in process - net of allowance for inventory obsolescence of ₱9.0 million in 2018 and ₱10.7 million in 2017	420,997,799 147,536,989		288,445,978 160,067,404

		2018		2017
Raw materials - net of allowance for inventory obsolescence of ₱2.9 million in 2018 and ₱2.6 million in 2017	₽	117,336,643	₽	89,390,888
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱37.1 million in 2018 and ₱36.4 million				
in 2017		98,295,809		106,947,233
Aircraft spare parts and supplies - net of allowance for inventory losses of				
₱8.6 million in 2018 and ₱7.2 million in 2017		43,662,471		28,097,694
Construction-related materials - net of allowance for inventory obsolescence of ₱0.6 million				
in 2018 and ₱5.6 million in 2017		605,556		5,385,704
		828,435,267		678,334,901
	₽.	1,030,460,829	₱	817,360,103

Net reversals for inventory obsolescence recognized in 2018 and 2017 amounted to ₱2.6 million and ₱4.3 million, respectively, while provision for inventory obsolescence recognized in 2018 and 2017 amounted to ₱4.1 million and ₱11.0 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, 2018 and 2017.

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.

Inventories recognized as expense amounted to ₱6,664.8 million, ₱5,709.9 million and ₱4,810.1 million in 2018, 2017 and 2016, respectively (see Note 22).

13. FVOCI Investments

				2017
				(As restated -
		2018		Note 2)
Current portion	₽	15,419,085	₽	30,165,459
Noncurrent portion		678,904,133		654,334,642
	₽	694,323,218	₽	684,500,101

FVOCI investments in bonds represent the following:

a. Foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 3.00% to 7.38% in 2018, 2.47% to 7.38% in 2017 and 3.50% to 7.38% in 2016. Maturity dates range from September 10, 2019 to July 31, 2024 for bonds held as at December 31, 2018 and July 16, 2018 to November 11, 2024 for bonds held as at December 31, 2017.

b. Geothermal Project

On January 2014, a loan and investment agreement was entered by the Company 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 P172.0 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.

In 2017, the Company recognized \$\infty\$82.9 million impairment loss, which is presented in consolidated profit or loss, bringing the investment balance to nil as at December 31, 2018 and 2017.

In 2018, 2017 and 2016, gain (loss) on sale of FVOCI investments amounted to (₱2.7 million), ₱13.9 million and ₱8.8 million, respectively (see Note 2).

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

				2017
				(As restated -
		2018		Note 2)
Beginning balance	₽	14,157,787	₽	11,740,571
Gain (loss) recognized directly in equity - net of tax Amount removed from equity and recognized in		(24,176,732)		12,170,011
consolidated profit or loss - net of tax		1,890,421		(9,752,795)
Ending balance	(₱	8,128,524)	₽	14,157,787

14. Investments and Advances

		2018		2017
Investments at equity - net of valuation allowances	₽	1,581,020,764	₽	1,570,106,166
Advances - net of allowance for expected credit losses				
of ₱564.8 million in 2018 and 2017		823,718		81,733,969
	₽	1,581,844,482	₽	1,651,840,135

Investments at equity consist of:

	2018	2017
Acquisition cost:		
Common shares	2,549,574,872	₱ 309,200,939
Preferred shares	6,448,973	2,066,437,018
Total	2,556,023,845	2,375,637,957
Accumulated equity in net losses - net of		
valuation allowance	(1,316,790,931)	(1,054,606,791)
Effect of foreign exchange differences	341,787,850	249,075,000
	₱ 1,581,020,76 4	₱ 1,570,106,166

The significant transactions involving the Group's investments in associates in 2018 and 2017 follow:

AGP Group Holdings Pte. Ltd. (AG&P) (formerly AGP International Holdings Ltd., AGPI)

In December 2011, Al 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. 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.

In 2018, AGPI merged with AG&P, its subsidiary, with the latter being the surviving entity. The Group retained its 27% ownership in AG&P and its preference shares were converted to common shares upon the merger.

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

The total cost of the investment in AG&P amounted to ₱2.0 billion. As at December 31, 2018 and 2017, the carrying value of the investment amounted to ₱1,274.8 million and ₱1,448.7 million, respectively.

The Group recognized a valuation allowance of ₱500.0 million, net of Al's share in the earnings of AG&P in 2017. In 2018, the Group recognized equity in net losses of AG&P amounting to ₱266.6 million.

The following are the significant financial information of AG&P as at and for the years ended December 31, 2018 and 2017 (in millions):

		2018		2017
Equity	₽	7,058.7	₽	8,223.5
Net income (loss)		(984.8)		844.3

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 \$\mathbb{P}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, 2018 and 2017, the carrying value of the investment in AIMP amounted to ₱124.6 million and ₱119.4 million, respectively.

The Group recognized equity in net earnings amounting to ₱5.2 million and ₱2.9 million in 2018 and 2017, respectively.

FHI

On November 22, 2017, the Company and a stockholder of 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.

On April 2, 2018, the advance payment of ₱77.4 million was reclassified under "Investments at equity - net of valuation allowances" upon transfer of FHI shares to the Company. On the same date, the Company entered into an absolute deed of sale for the acquisition of 37,636,613 common shares in FHI for a total consideration of ₱103.0 million. The additional purchase of shares resulted to an increase in ownership interest from 12.75% to 25.5%.

As at December 31, 2018, the carrying value of the investment in FHI amounted to ₱179.6 million.

The Group recognized equity in net losses amounting to ₱0.8 million in 2018.

BM

In October 2011, Al 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 Al'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-stage 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 (\$\P22.5\$ million). In March 2016, AI invested an additional US\$0.437 million (\$\P20.5\$ 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 (\$\P39.2\$ million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

In 2016, Al provided impairment loss on its investment in BM amounting to ₱62.2 million presented under "Equity in net losses - net of valuation allowance" in the consolidated profit or loss.

As at December 31, 2018 and 2017, the net carrying value of Al's investment in BM amounted to nil.

Prople Limited

In November 2013, AI invested US\$4.0 million (\$\P\$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 (\$\P\$22.6 million) and US\$0.2 million (\$\P\$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, Al converted the notes to equity, giving Al a 32% equity stake and a significant influence over Prople Limited.

In 2016, AI provided impairment loss on its investment in Prople Limited amounting to ₱10.6 million presented under "Equity in net earnings (losses) - net of valuation allowance" in the consolidated profit or loss.

As at December 31, 2018 and 2017, the net carrying value of Al's investment in Prople Limited presented under investments at equity amounted to nil.

The associates as at December 31, 2018 and 2017 have no contingent liabilities or capital commitments.

15. Property and Equipment

			2018						
	Land Buildings and Improvements	Flight Ground Machineries and Other Equipment	Furniture Fixtures and Office Equipment	-	Fransportation Equipment	C	onstruction in Progress		Total
Cost									_
January 1	2,688,286,831	₱1,021,901,832	\$469,959,870	₽	208,359,071	₽	19,291,702	₽	4,407,799,306
Additions	25,784,958	14,926,192	24,191,318		32,618,921		58,698,888		156,220,277
Reclassification	8,773,132	26,241,524	22,435,221		367,857		(57,817,734)		_
Retirement/disposals	_	_	(6,181,668)		(19,610,528)		_		(25,792,196)
December 31	2,722,844,921	1,063,069,548	510,404,741		221,735,321		20,172,856		4,538,227,387
Accumulated Depreciation and Amortization									
January 1 Depreciation	765,856,151	510,142,878	329,696,479		133,914,999		-		1,739,610,507
and amortization	77,687,966	103,032,039	49,705,882		22,394,317		_		252,820,204
Retirement/disposals	_	_	(1,948,276)		(13,085,485)		_		(15,033,761)
December 31	843,544,117	613,174,917	377,454,085		143,223,831		_		1,977,396,950
Net Book Value	₱ 1,879,300,804	₱ 449,894,631	₱ 132,950,656	₽	78,511,490	₽	20,172,856	₽	2,560,830,437

			2017						
	Land Buildings and Improvements	Flight Ground Machineries and Other Equipment	Furniture Fixtures and Office Equipment	-	Transportation Equipment	C	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

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 from continuing operations amounted to ₱252.8 million, ₱249.8 million and ₱229.7 million in 2018, 2017 and 2016, respectively (see Note 22).

16. Investment Properties

	2018		2017
January 1	P 236,521,635	₽	234,877,835
Additions	1,583,339		1,643,800
December 31	P 238,104,974	₽	236,521,635

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 \$\mathbb{P}\$343.2 million, net of commission expense of \$\mathbb{P}\$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 (DAR) rules, AAC has to complete the development on the Guimaras land by September 2018. On November 11, 2018, DAR approve the Group's request for extension to develop the property within a non-extendible period of five years from the receipt of order. The notice of order was received by the Group on December 7, 2018.

In 2018, 2017 and 2016, the Group derived no income from these investment properties.

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2018, 2017 and 2016.

17. Other Noncurrent Assets and Other Noncurrent Liabilities

	2018		2017
Deposits to suppliers (Note 31)	₱ 101,805,516	₽	56,461,954
Fund for villa operations			
and capital expenditures (Note 31)	94,405,140		91,846,387
Computer software	11,964,834		13,845,662
Refundable deposits	1,426,368		691,203
Deferred nurse cost	_		2,099,165
Others	9,717,525		9,694,055
	₱ 219,319,383	₽	174,638,426

Deposits to suppliers include advances to suppliers for the maintenance of IAI's aircraft, for the acquisition of specific property and equipment and for 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.

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 31).

Other noncurrent liabilities amounted to ₱143.4 million and ₱170.1 million as at December 31, 2018 and 2017, respectively, which include the related liability for the fund asset of PRI 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.

18. Notes Payable

Notes payable as at December 31, 2018 represent unsecured, short-term, interest-bearing liabilities of PDP amounting to ₱250.0 million.

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 (P91.9 million).
- b. PDP availed of loans from a local bank totaling to ₱450.0 million in 2018. Terms of the loans is 32 to 58 days with rates ranging from 3.5% to 5.7%. As at December 31, 2018, loans payable outstanding amounted to ₱250.0 million.
- c. The Group's unavailed loan credit line from banks amounted to ₱2,915.0 million and ₱3,075.0 million as at December 31, 2018 and 2017, respectively.
- d. Total interest expense from these loans recognized in the consolidated profit or loss amounted to ₱2.3 million, nil and ₱2.0 million in 2018, 2017 and 2016, respectively (see Note 24).

19. Accounts Payable and Accrued Expenses

2017 (As restated -2018 Note 2) Trade payables 306,518,584 ₽ 383,225,957 Contract liabilities (Note 5) 241,923,043 191,438,230 Accrued expenses (Note 33) 144,645,647 186,358,796 Payable to villa owners 42,610,853 29,256,688 Payable to government agencies 30,673,126 33,520,019 Payable to contractors 15,091,164 54,985,469 Other payables 25,718,398 30,146,168 908,931,327 807,180,815

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

Contract liabilities pertain to the advance payments received from guests and customers' advances for the delivery of goods.

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.

20. Long-term Debt

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

	2018		2017
Anscor	591,525,000	₽	1,011,082,500
PDP Energy	530,000,000		681,428,571
IAI	16,562,700		26,213,250
	1,138,087,700		1,718,724,321
Less current portion	635,690,371		611,283,871
	502,397,329	₽	1,107,440,450

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 ₱1,185.1 million and ₱2,327.8 million as at December 31, 2018 and 2017, respectively. A portion of the pledged shares is expected to be released in 2019 (see Note 10). 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, 2018 and 2017, the Company is in compliance with the debt covenants.

b. In 2015, PDP Energy obtained a long-term loan to partially fund the \$\mathbb{P}\$1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to \$\mathbb{P}\$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 except for working capital requirement; (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, 2018 and 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 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.

c. In 2014, IAI converted the short-term loan amounting to US\$1.1 million (P47.0 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 profit or loss amounted to ₱70.5 million, ₱84.8 million and ₱104.7 million 2018, 2017 and 2016, respectively (see Note 24).

21. Equity

Equity holders of the Parent

Capital stock as at December 31, 2018 and 2017 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, 2018 and 2017 totaled 1,211,911,354 and 1,217,173,254, respectively. The Company's number of equity holders as at December 31, 2018 and 2017 is 11,131 and 11,175, 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 ₱1.00 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 2018, 2017 and 2016, the Company declared the following cash dividends:

		2018		2017		2016
Month of declaration		February		February		March
Cash dividends per share	₽	0.50	₽	0.20	₽	0.20
Total cash dividends	₽	1,250.0 million	₽	500.0 million	₽	500.0 million
Share of a subsidiary	₽	641.4 million	₱	255.6 million	₽	253.5 million

As at December 31, 2018 and 2017, the Company's dividends payable amounted to ₱285.8 million and ₱252.6 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2018 and 2017 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 2011 and 2013 were extended in 2017. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively.

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

- Balance of gross deferred income tax assets amounting ₱80.0 million and ₱74.1 million as at December 31, 2018 and 2017, respectively.
- Shares in the undistributed retained earnings of subsidiaries amounting to ₱3.5 billion and ₱2.8 billion as
 at December 31, 2018 and 2017, 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, 2018 and 2017, Anscorcon holds 1,288,088,646 shares and 1,282,826,746 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱32.2 million (5,261,900 shares) and ₱98.0 million (15,420,000 shares) in 2018 and 2017, respectively.

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

Cost of goods sold consists of:

	2018		2017		2016
Materials used and changes					
in inventories (Note 12)	₱ 6,634,879,313	₽	5,676,034,719	₽	4,780,202,671
Salaries, wages and employee					
benefits (Note 23)	110,439,330		103,673,725		100,910,214
Repairs and maintenance	88,279,128		96,049,867		126,373,261
Utilities	83,013,181		95,680,984		82,975,821
Depreciation and amortization (Note 15)	78,937,284		81,484,916		78,018,330
Transportation and travel	6,708,026		7,269,253		5,460,042
Insurance	2,027,792		1,963,935		1,968,394
Dues and subscriptions	1,682,979		1,678,179		1,676,767
Others	4,582,256		5,448,347		10,746,797
	₱ 7,010,549,289	₽	6,069,283,925	₽	5,188,332,297

Cost of services rendered consists of:

		2018		2017		2016
Resort operating costs	₽	146,884,223	₽	133,218,885	₽	101,640,624
Salaries, wages and						
employee benefits (Note 23)		72,475,563		63,117,105		25,428,971
Fuel cost		44,173,953		38,697,088		26,581,852
Transportation and travel		38,946,171		16,521,018		3,542,385
Depreciation and amortization (Note 15)		37,966,471		36,007,747		27,405,992
Repairs and maintenance		31,336,351		31,669,833		24,344,528

(Forward)

		2018		2017		2016
Materials and supplies -						
resort operations	₽	29,910,544	₽	33,887,885	₽	29,936,594
Commissions		17,201,564		14,433,118		12,422,708
Insurance		4,887,652		4,735,964		4,204,553
Outside services		1,383,256		1,362,504		1,185,373
Variable nurse costs		1,122,567		4,301,692		7,748,434
Others		11,219,874		18,018,531		21,917,953
	₽	437,508,189	₽	395,971,370	₽	286,359,967

Operating expenses consist of:

		2018		2017		2016
Salaries, wages and						_
employee benefits (Note 23)	₽	347,286,847	₱	410,770,485	₽	291,296,707
Advertising		147,533,312		126,476,694		97,131,354
Depreciation and amortization (Note 15)		135,916,449		132,268,068		124,288,563
Shipping and delivery expenses		82,775,651		71,917,913		83,376,064
Utilities		76,226,590		59,820,387		55,643,818
Professional and directors' fees		72,891,128		45,933,124		58,699,844
Repairs and maintenance		51,645,741		37,356,821		36,002,550
Taxes and licenses		48,090,154		59,832,031		134,105,397
Transportation and travel		46,524,779		44,828,828		50,020,189
Commissions		30,268,954		26,174,903		7,156,131
Insurance		22,997,892		23,691,621		22,035,676
Security services		20,613,634		18,834,745		18,152,937
Communications		12,230,631		14,268,396		14,543,325
Association dues		7,808,276		7,278,115		7,081,854
Rental (Note 31)		7,773,918		10,571,402		10,888,080
Meetings and conferences		7,459,777		11,760,474		10,095,573
Entertainment, amusement						
and recreation		6,923,568		7,034,567		11,576,889
Donation and contribution		6,632,200		11,888,895		7,720,795
Computer programming		6,177,406		4,592,662		6,537,040
Office supplies		6,097,933		5,316,103		5,273,846
Medical expenses		5,171,806		6,137,045		3,889,441
Others		45,336,970		42,522,165		40,833,009
	₽	1,194,383,616	₽	1,179,275,444	₱	1,096,349,082

In 2018, 2017 and 2016, the Company paid bonus to its non-executive directors amounting to \$\P\$10.7 million, \$\P\$10.4 million and \$\P\$9.0 million, respectively.

As approved in 2004, the directors are given bonus representing no more than 1.0% of previous year's net income.

23. Personnel Expenses

		2018		2017		2016
Salaries and wages	₱	422,082,781	₽	492,515,391	₽	344,859,257
Pension costs (Note 25)		37,124,451		16,747,851		15,698,052
Social security premiums						
and other employee benefits		70,994,508		68,298,073		57,078,583
	₱	530,201,740	₽	577,561,315	₽	417,635,892

In 2018, 2017 and 2016, the Company declared and paid bonuses to its executive officers amounting to \$\mathbb{P}\$51.8 million, \$\mathbb{P}\$48.7 million and \$\mathbb{P}\$41.3 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.

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

Interest income consists of:

	2018		2017		2016
₽	75,378,770	₽	78,484,323	₽	79,517,862
	26,825,911		13,674,413		3,756,039
	_		1,926,566		3,326,334
	7,311,466		4,792,053		6,955,208
₽	109,516,147	₽	98,877,355	₽	93,555,443
	' 	₹ 75,378,770 26,825,911 - 7,311,466	P 75,378,770 P 26,825,911 - 7,311,466	P 75,378,770 P 78,484,323 26,825,911 13,674,413 - 1,926,566 7,311,466 4,792,053	P 75,378,770 P 78,484,323 P 26,825,911 13,674,413 − 1,926,566 7,311,466 4,792,053

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.8 million in 2018, ₱1.7 million in 2017 and ₱0.5 million in 2016.

Interest expense consists of:

		2018		2017		2016
Long-term debt (Note 20)	₽	70,524,251	₽	84,832,172	₽	104,747,200
Notes payable (Note 18)		2,293,068		_		1,978,152
Others		91,052		306,006		1,788,116
	₱	72,908,371	₽	85,138,178	₽	108,513,468

Other income (charges) consists of:

		2018		2017		2016
Valuation allowances on:						
FVOCI investments (Note 13)	₽	_	(₱	82,906,040)	₽	_
Receivables (Note 11)		(15,430,275)		(12,541,567)		(17,750,100)
Construction materials and other supplies		_		(5,363,689)		_
Other current and noncurrent						
assets		(1,599,246)		_		(1,584,786)
Recovery of valuation allowances						
(Notes 11, 12 and 13)		7,632,131		_		16,509,318
Rental income		8,566,268		6,709,294		7,542,788
Sale of property		448,832		19,162,207		_
Service and handling fees		_		103,303,424		_
Claims and other refunds		54,024,733		_		_
Others		26,065,932		23,965,138		54,182,209
	₽	79,708,375	₽	52,328,767	₽	58,899,429

In 2017, a subsidiary entered into a contract and received a fee of ₱93.4 million.

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

25. 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, 2018 and 2017 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 3.5% to 10.1% in 2018 and from 2.13% to 7.88% in 2017 and have maturities from October 16, 2019 to July 19, 2031 in 2018 and from May 23, 2018 to December 7, 2026 in 2017.
- c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 3.4% to 5.8% in 2018 and 0.18% to 8.00% in 2017 and have maturities from January 8, 2019 to July 3, 2027 in 2018 and from January 3, 2018 to July 19, 2031 in 2017; 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, 2018 and 2017, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of P43.1 million and P46.8 million, respectively. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total losses and gains arising from the changes in market prices amounted to P2.4 million and P4.7 million in 2018 and 2017, respectively.

As at December 31, 2018 and 2017, the Fund's carrying value and fair value amounted to ₱435.8 million and ₱499.2 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated profit or loss and the funded status and amounts recognized in the consolidated balance sheets.

		2018		2017		2016
Retirement benefit cost:						
Current service cost	₽	22,420,634	₽	19,689,927	₱	18,559,744
Past service cost		18,212,209		_		_
Net interest		(3,508,392)		(2,942,076)		(2,861,692)
Net benefit expense (Note 23)	₽	37,124,451	₽	16,747,851	₽	15,698,052
Actual return on plan assets	(₱	11,890,805)	₽	38,487,657	₽	5,905,193

Changes in net retirement plan asset are as follows:

		2018		2017		2016
Net retirement plan asset, beginning	₽	93,706,684	₽	60,191,266	₽	59,482,997
Current service cost		(16,376,425)		(14,782,486)		(13,968,281)
Net interest		3,113,413		3,133,176		3,015,453
		(13,263,012)		(11,649,310)		(10,952,828)
Actuarial changes arising from:						
Remeasurement of plan assets		(34,561,863)		17,799,154		(13,230,751)
Experience adjustments		(5,457,343)		29,303,887		8,514,257
Changes in financial						
assumptions		19,895,193		11,077,214		_
Changes in the effect of						
asset ceiling		443,348		(23,307,335)		5,045,756
		(19,680,665)		34,872,920		329,262
Contribution		17,143,550		10,291,808		10,917,120
Transfer to net retirement payable		(12,514,968)		_		414,715
Net retirement plan asset, end	₽	65,391,589	₱	93,706,684	₱	60,191,266

Changes in net retirement benefits payable are as follows:

	2018	2017	2016
Net retirement benefits payable, beginning	(₱ 9,184,074)	(₱ 4,211,769)	(₱ 6,666,773)
Current service cost	(6,044,209)	(4,907,441)	(4,591,463)
Past service cost	(18,212,209)	_	<u> </u>
Net interest	394,979	(191,100)	(153,761)
	(23,861,439)	(5,098,541)	(4,745,224)
Actuarial changes arising from:			
Changes in financial			
assumptions	11,954,837	(5,204,141)	2,184,750
Experience adjustments	(6,466,368)	1,732,226	(52,784)
Remeasurement of plan assets	(4,137,703)	(1,439,886)	(1,593,549)
Changes in the effect of asset			
ceiling	_	_	43,978
	1,350,766	(4,911,801)	582,395
Withdrawal of plan assets	_	(1,575,169)	_
Contribution	5,048,364	6,367,740	7,032,548
Transfer from net retirement asset	12,514,968	_	(414,715)
Reduction in net retirement benefits			
payable for disposed subsidiary (Note 8)	1,273,302	245,466	_
Net retirement benefits payable, end	(₱ 12,858,113)	(₱ 9,184,074)	(₱ 4,211,769)

Computation of net retirement plan assets (liabilities):

		Net		Net		
2018		Retirement Plan Assets		Retirement Liabilities		Total
Present value of defined benefit obligation	(₽	258,367,827)	(₱	95,442,654) (/ ∌	353,810,481)
	(((
Fair value of plan assets		365,708,666		70,069,573		435,778,239
Surplus (deficit)		107,340,839		(25,373,081)		81,967,758
Effect of the asset ceiling		(29,434,282)		_		(29,434,282)
Transfer to (from) net retirement payable						
(asset)		(12,514,968)		12,514,968		_
Retirement plan assets (liabilities)	₽	65,391,589	(₱	12,858,113)	₽	52,533,476

		Net		Net	
2017		Retirement Plan Assets		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)		· <u>-</u>	(28,261,095)
Retirement plan assets (liabilities)	₽	93,706,684	(₱	9,184,074) ₱	84,522,610

Changes in the present value of defined benefit obligation:

		2018	2017
Defined benefit obligation, beginning	₽	386,430,372 ₱	387,906,567
Interest cost		21,683,834	18,954,472
Current service cost		22,420,634	19,689,927
Past service cost		18,212,209	_
Benefits paid from plan assets		(71,048,606)	(2,965,942)
Remeasurement in other comprehensive income:			
Actuarial gain - changes in financial			
assumptions		(31,850,030)	(5,873,073)
Actuarial gain (loss) - experience adjustments		11,923,711	(31,036,113)
Reduction in net retirement benefits payable			
for disposed subsidiary		(3,961,643)	(245,466)
Defined benefit obligation, ending	₽	353,810,481 ₱	386,430,372

Changes in the fair value of plan assets:

		2018	2017
Fair value of plan assets, beginning	₽	499,214,077 ₱	448,607,983
Interest income		26,808,761	22,128,389
Contributions		22,191,914	16,659,548
Remeasurement gain (loss)		(38,699,566)	16,359,268
Benefits paid from plan assets		(71,048,606)	(2,965,942)
Withdrawal of plan asset		_	(1,575,169)
Reduction in plan asset for disposed subsidiary		(2,688,341)	_
Fair value of plan assets, ending	₽	435,778,239 ₱	499,214,077

Changes in the effect of asset ceiling:

		2018	2017
Beginning balance	₽	28,261,095 ₱	4,721,919
Changes in the effect of asset ceiling		(443,348)	23,307,335
Interest on the effect of asset ceiling		1,616,535	231,841
Ending balance	₽	29,434,282 ₱	28,261,095

The fair value of plan assets as at December 31 are as follows:

		2018	2017
Debt instruments	₽	248,676,008 ₱	224,377,096
Equity instruments		106,658,937	123,004,213
Cash and cash equivalents		38,629,986	31,326,832
Unit investment trust funds		32,727,952	80,194,287
Others		9,085,356	40,311,649
	₽	435,778,239 ₱	499,214,077

The financial instruments with quoted prices in active market amounted to ₱323.9 million and ₱346.2 million as at December 31, 2018 and 2017, 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:

			ffect on Present Value of Defined enefit Obligation Increase
2018	Change in Rates		(Decrease)
Discount rates	-3.10% to -3.20%	₽	9,623,443
	+2.70% to +3.00%		(8,691,750)
Future salary increases	+3.10% to +6.80%	₽	12,373,655
	-2.80% to -6.00%		(11,115,777)
			ffect on Present Value of Defined enefit Obligation Increase
2017	Change in Rates		(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)

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:

		V	fect on Present
		Be	nefit Obligation Increase
2018	Change in Rates		(Decrease)
Discount rates	-3.00% to -12.70%	₽	2,322,204
	+3.20% to +10.90%		(2,081,832)
Future salary increase	+3.20% to +11.70%	₽	2,382,590
	-3.10% to -10.30%		(2,168,864)
		V	fect on Present Value of Defined nefit Obligation Increase
2017	Change in Rates		(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

The Group expects to make contributions amounting to ₱18.5 million to its defined benefit pension plans in 2019.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2018	2017
Discount rate	6.93% to 7.98%	4.90% to 5.98%
Future salary increases	4.00% to 5.00%	4.00% to 6.00%

The weighted average duration of the defined benefit obligation as at December 31, 2018 and 2017 ranges from 2.9 to 11.5 years and 3.4 to 11.8 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2018:

Year		Amount
2019	₽	224,681,125
2020		15,361,147
2021		8,678,209
2022		6,795,896
2023		14,010,685
2024 to 2028		146,956,552

26. Income Taxes

The provision for income tax consists of:

				2017	2016
				(As restated -	(As restated -
		2018		Note 2)	Note 2)
Current	₽	316,870,929	₽	249,733,903 ₱	316,975,070
Deferred		30,347,637		3,701,781	808,040
	₽	347,218,566	₽	253,435,684 ₱	317,783,110

The components of the net deferred income tax assets (liabilities) are as follows:

			2017 estated – Note 2)			
	N-4	2018	(
	Net			Net eferred		Net Deferred
	Deferred Income Tax			me Tax		Income Tax
	Assets(1)			ssets ⁽¹⁾		(Liabilities) ⁽²⁾
Recognized in the consolidated	7100010	(Liabilities)				(Liabilities)
profit or loss:						
Deferred income tax assets on:						
Allowance for expected credit losses	₱ 21,972,801	₽ -	₱ 18,1	19,489	₽	_
Allowance for inventory losses	22,818,454			019,349		_
Accrued expenses	17,873,559	_	17,3	387,533		_
Unamortized past service cost	2,240,814	1,158,466	2,2	241,396		1,390,161
Unrealized foreign exchange loss	922,237			958,847		6,357,105
Retirement benefits payable	4,069,882	_	8	387,045		_
Market adjustment on FVPL investments	8,337,973	_		_		2,537,240
Others	598,450	_	2,1	84,932		_
	78,834,170	1,158,466	63,7	798,591		10,284,506
Deferred income tax liabilities on:						
Retirement plan assets	(40,519)	(3,207,703)	(2,6	93,409)		(3,001,920)
Unrealized foreign exchange gains	(219,561)	(13,309,704)	(1)	07,418)		_
Uncollected management fee	_	(11,094,491)		_		(11,108,875)
Fair value adjustment	_	(324,407,713)		_	(332,403,041)
Market adjustment on FVPL investments	(2,584,218)		•	47,565)		(56,092,375)
	(2,844,298)			48,392)		402,606,211)
	75,989,872	(438,709,015)	59,9	950,199	(<u> 392,321,705)</u>
Recognized in other						
comprehensive income:						
Deferred income tax assets (liabilities) on:						
Unrealized valuation losses (gains)						
on FVOCI investments	_	4,595,798		_		(4,955,479)
Cumulative actuarial losses (gains)	(477,330)	(15,641,944)		32,280		(23,237,135)
	(477,330)	(11,046,146)		32,280	-	(28,192,614
₽	75,512,542	(₱449,755,161)	₱ 61,0	82,479	(₱	420,514,319)

Pertain to PDP, SSRLI, ASAC, AHI and Sutton.
 Pertain to Anscor, Anscorcon.

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 (As restated –
	2018		Note 2)
Allowances for.			
Impairment losses	₱ 1,651,360,313	₽	1,651,360,313
Expected credit losses	564,800,000		564,800,000
NOLCO	138,260,513		302,142,326
MCIT	9,436,514		7,066,379
Provision for probable losses and lawsuits	5,721,158		5,721,158
Accrued pension benefits and others	4,162,004		6,409,266
Unrealized foreign exchange losses	_		2,364,044

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2018, 2017 and 2016 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2017 and 2016.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

		2018		2017 (As restated – Note 2)		2016 (As restated – Note 2)
Provision for income tax at statutory						
tax rates	₽	375,612,585	₽	866,831,825	₽	894,902,254
Additions to (reductions from)						
income taxes resulting from:						
Decrease (increase) in market						
values of marketable equity						
securities and other investments						
subjected to final tax		167,752,492		(353,191,683)		(388,451,363)
Income tax at 5% GIT		(37,443,654)		(76,130,168)		(94,108,256)
Movement in unrecognized						
deferred income tax assets		(48,177,801)		188,773,973		(77,203,736)
Dividend income not subject						
to income tax		(83,477,245)		(76,936,509)		(65,639,343)
Expired NOLCO and MCIT		53,808,275		33,575,544		38,513,380
Nontaxable income		(142,280,407)		(7,203,562)		(9,622,892)
Interest income already						
subjected to final tax		(3,114,226)		(3,671,966)		(1,006,593)
Equity in net earnings (losses)						
of associates - net of valuation						
allowances, not subject						
to income tax		78,655,241		(870,281)		_
Nontaxable (gain) loss on sale						
of subsidiaries		2,724,000		(329,358,484)		_
Others		(16,840,694)		11,616,995		20,399,659
	₱	347,218,566	₱	253,435,684	₱	317,793,110

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	Availment											
Recognition	Period		Amount		Additions		Applied		Expired	Adjustment*		Balance
2015	2016-2018	₽	159,571,086	₽	_	₽	_	(₱	159,571,086)	₱ -	₽	
2016	2017-2019		8,996,020		_		_		_	_		8,996,020
2017	2018-2020		133,575,220		_		_		_	(15,424,019)		118,151,201
2018	2019-2021		_		11,113,292		_		_			11,113,292
		₽	302,142,326	₽	11,113,292	₽	_	(₱	159,571,086)	(₱ 15,424,019)	₽	138,260,513

^{*} Adjustment pertains to unexpired portion of NOLCO of CGI.

MCIT

Period of	Availment											
Recognition	Period		Amount		Additions		Applied	Expired		Adjustment*		Balance
2015	2016-2018	₽	657,686	₽	-	₽	- (₱	657,686)	₽	_	₽	_
2016	2017-2019		4,577,596		_		-	_		(191,111)		4,386,485
2017	2018-2020		1,831,097		_		-	_		_		1,831,097
2018	2019-2021		_		3,218,932		-	_		_		3,218,932
		₽	7,066,379	₽	3,218,932	₽	- (₱	657,686)	(₱	191,111)	₽	9,436,514

^{*} Adjustment pertains to unexpired portion of MCIT of CGI.

27. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

				2017 (As restated –		2016 (As restated –
		2018		Note 2)		Note 2)
Net income attributable to equity holders						
of the Parent	₽	808,386,813	₽	2,547,458,719	€	2,682,646,535
Net income from continuing operations						
attributable to equity holders of the Parent		808,386,813		2,595,095,870		2,497,730,423
Total comprehensive income attributable						
to equity holders of the Parent		857,889,362		2,485,599,962		2,879,552,527
Weighted average number of shares (Note 21)		1,215,525,163		1,224,247,737		1,232,679,551
Earnings Per Share						
Basic/diluted, for net income attributable						
to equity holders of the Parent	₱	0.67	₽	2.08 ₱	€	2.18
Basic/diluted, for net income from continuing						
operations attributable to equity holders						
of the Parent	₽	0.67	₽	2.12 ₱	€	2.03
Basic/diluted, for comprehensive income						
attributable to equity holders of the Parent	₽	0.71	₽	2.03 ₱	€	2.34

The Company does not have potentially dilutive common stock equivalents in 2018, 2017 and 2016.

28. 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 14 and 31, the Group grants/receives cash advances to/from its associates and affiliates.

Compensation of the Group's key management personnel (in millions):

		2018		2017		2016
Short-term employee benefits (Note 23)	₽	166.8	₽	172.3	₽	165.6
Retirement benefits (Note 25)		6.9		7.7		8.1
Total	₽	173.7	₽	180.0	₽	173.7

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

29. 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, Treasurer and 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
				(As restated-
		2018		Note 2)
Cash in banks	₽	1,600,596,372	₽	1,634,711,899
Short-term investments		1,163,730,790		1,619,315,971
FVPL investments - bonds		655,218,123		833,776,158
FVOCI investments - debt instruments		694,323,218		684,500,101
		4,113,868,503		4,772,304,129
Receivables:				
Trade		1,766,667,546		1,574,198,574
Notes receivable		240,030,000		_
Interest receivable		33,102,427		22,046,675
Receivable from villa owners		15,179,905		13,106,894
Advances to employees		14,295,820		13,285,580
Dividend receivable		3,299,071		3,299,071
Others*		17,557,020		5,577,573
		2,090,131,789		1,631,514,367
	₽	6,204,000,292	₽	6,403,818,496

^{*} Excluding advances to suppliers amounting to ₱0.3 million as at December 31, 2017.

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 as at December 31:

Financial Assets that are **Neither Past Due nor Impaired**

	itellier i ast bac	noi impanca				
		Standard	Past Due But			
2018	High Grade	Grade	Not Impaired	Impaired		Total
Cash in banks	1,600,596,372	₱ -	₱ -	₱ -	₽	1,600,596,372
Short-term investments	1,163,730,790	-	_	_		1,163,730,790
FVPL investments - bonds	-	655,218,123	_	-		655,218,123
FVOCI investments -						
debt instruments	_	694,323,218	_	140,906,039		835,229,257
Receivables:						
Trade	_	1,744,648,823	22,018,723	70,818,417		1,837,485,963
Notes receivable	_	240,030,000	_	_		240,030,000
Interest receivable	_	27,875,731	5,226,696	591,095		33,693,522
Receivable from villa owners	-	15,118,655	61,250	_		15,179,905
Advances to employees	9,529,842	_	4,765,978	_		14,295,820
Dividend receivable	_	3,299,071	_	_		3,299,071
Others	693,445	6,613,305	10,250,270	1,833,158		19,390,178
₽	2,774,550,449	₱3,387,126,926	₱ 42,322,917	214,148,709	₽	6,418,149,001

Financial Assets that are Neither Past Due nor Impaired

<u></u>	Neither Past Due not impaired					
		Standard	Past Due But			
2017 (As restated - Note 2)	High Grade	Grade	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
FVOCI 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
P	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.

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.

Trade receivables

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

David Da at Diva Dist Nat Inc. ation of

				Days Past D)ue But Not Imp	aired			
			Less than	31 to	91 to 120		61 to	More tha	an
December 31, 2018		Current	30 days	60 days	days	9	0 days	120 day	s Total
Expected credit			<u>-</u>	•	-				
loss rate		0%-0.37%	0%-2.99%	0%-6.87%	0%-13.49%	0%-	27.11%	0%-57.70	%
Estimated total gross carrying amount at									
default	₱ 1	,131,201,310	₱ 334,342,695	₱ 130,792,046	₱ 77,482,907	₱ 44,9	93,385	₱ 118,673,62	20 🕈 1,837,485,963
Expected credit									
loss		4,012,893	9,851,936	8,952,233	10,423,682	12,1	98,213	25,379,46	70,818,417
					ue But Not Impa	aired			_
			Less than	31 to	91 to 120		61 to	More tha	n n
December 31, 2017		Current	30 days	60 days	days	9	0 days	120 day	rs Total
Expected credit								•	
loss rate		0.74%-1.65%	2.20%-6.00%	4.91%-14.51%	4.91%-25.42%	23.17%	-44.34%	23.17%-62.17	%
Estimated total gross carrying									
amount at									
default	₽	959,120,973	₱ 348,525,284	₱ 180,558,056	₱ 31,468,858	₱ 19,7	781,068	₱ 92,718,37	79 ₱ 1,632,172,618
Expected credit									
loss		7,431,462	7,996,065	8,881,613	3,120,694	4.	582,725	25,961,48	57,974,044

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.

		Within				Over 1 up				
December 31, 2018		6 months	6	to 12 months		to 5 years		Over 5 years		Total
Cash on hand										
and with banks	₽	1,601,784,276	₽	_	₽	-	₽	-	₽	1,601,784,276
Short-term investments		1,163,730,790		_		-		_		1,163,730,790
FVPL investments										
bonds		57,875,395		30,613,128		368,872,650		197,856,950		655,218,123
FVOCI investments -										
bonds		_		15,419,085		544,898,560		134,005,573		694,323,218
Receivables*		1,837,104,070		249,660,423		3,367,296		_		2,090,131,789
	₽	4,660,494,531	₽	295,692,636	₽	917,138,506	₽	331,862,523	₽	6,205,188,196
Notes payable	₽	250,000,000	₽	_	₽	_	₽	<u> </u>	₽	250,000,000
Accounts payable										
and accrued expenses**		529,535,185		5,049,461		_		_		534,584,646
Long-term debt		317,845,186		317,845,185		502,397,329		_		1,138,087,700
Dividends payable		285,828,593		_		_		_		285,828,593
	₽	1,383,208,964	₽	322,894,646	₽	502,397,329	₽	_	₽	2,208,500,939

Excluding non-financial assets amounting to ₱180.1 million.
 Excluding non-financial liabilities amounting to ₱272.6 million.

December 31, 2017		Within				Over 1 up				
(As restated — Note 2)		6 months	6	to 12 months		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
FVOCI investments -										
bonds		_		30,165,460		257,473,349		396,861,292		684,500,101
Receivables*		1,587,886,033		43,628,334		_		_		1,631,514,367
	₽	4,903,586,351	₽	146,213,709	₽	753,686,450	₽	601,838,784	₽	6,405,325,294
Accounts payable										
and accrued										
expenses**	₽	601,974,650	₽	81,998,428	₽	_	₽	_	₽	683,973,078
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
	₽	1,065,537,450	₽	482,273,869	₽	1,107,440,450	₽	_	₽	2,655,251,769

Excluding non-financial assets amounting to ₱151.9 million.
 Excluding non-financial liabilities amounting to ₱225.0 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, dividends payable and current portion of long-term debt 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 [in basis points (bps)]	Change in Interest Rates Effect on Income
	Before Tax	Increase (Decrease)
2018	+150	(₱7.30)
	-150	7.30
2017	+150	(14.04)
	-150	14.04

The sensitivity analysis shows the effect on the consolidated profit or loss 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, 2018 and 2017. 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 FVOCI. The impact of change in interest rates are as follows (in millions):

	Change in	Increase (De	crease)
	Interest Rates	Effect on Income	Effect on
2018	(in bps)	Before Tax	Equity
FVOCI investments	+100	₱ –	(₱ 14.89)
	-100	_	15.58
FVPL investments	+100	(19.00)	_
	-100	21.51	-
	Change in	Increase (De	crease)
	Interest Rates	Effect on Income	Effect on
2017	(in bps)	Before Tax	Equity
FVOCI investments	+100	₱ –	(₱ 18.08)
	-100	_	19.60
FVPL investments	+100	(19.56)	_
	-100	20.64	_

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 and NASDAO.

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):

	Change in PSE	Effect on Income Before Tax
FVPL Investments	Price Index	Increase (Decrease)
2018	+17.70%	₱ 520.87
	-17.70%	(520.87)
2017	+11.86%	444.67
	-11.86%	(444.67)

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 +/-17.70% and +/-11.86% in 2018 and 2017, respectively.

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):

		Effect on Income Before Tax
	Change in NAV	Increase (Decrease)
2018	+10.00%	₱ 46.25
	-10.00%	(46.25)
2017	+10.00%	23.60
	-10.00%	(23.60)

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 longterm, 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 and SSRLI 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):

		Effect on Income
	Change in	Before Tax and Equity
2018	Currency Rate	Increase (Decrease)
US Dollar	+4.97%	(₱ 5.20)
	-4.97%	5.20
Indonesian Rupiah	+5.98%	(10.65)
	-5.98%	10.65
	Ol many in	Effect on Income
–	Change in	Before Tax and Equity
2017	Currency Rate	Increase (Decrease)
US Dollar	+3.49%	(₱ 3.37)
	-3.49%	3.37
Indonesian Rupiah	+2.89%	(5.14)
	-2.89%	5.14

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 ₱493.3 million with an average quantity of about 1,326 metric tons in 2018 and ₱403.1 million with an average quantity of about 1,284 metric tons in 2017.

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):

		Income Before
	% Change in	Income Tax and Equity
	Copper Rod Prices	Increase (Decrease)
2018	+8.36%	(₱ 45.11)
	-8.36%	45.11
2017	+10.24%	(45.97)
	-10.24%	45.97

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, 2018 and 2017.

30. Financial Instruments

Categorization of Financial Instruments

		Financial	Financial		
December 31, 2018	Amortized Cost	Assets at FVPL	Assets at FVOCI		Total
Cash and short-term investments	2,765,515,066	₱ -	₱ -	₽	2,765,515,066
FVPL investments	-	9,437,947,486	_		9,437,947,486
FVOCI investments	-	-	694,323,218		694,323,218
Receivables*	2,090,131,789	_	_		2,090,131,789
	4,855,646,855	₱ 9,437,947,486	₱ 694,323,218	₽	14,987,917,559

^{*} Excluding non-financial assets amounting to P180.1 million.

December 31, 2017		Financial	Financial		
(As restated — Note 2)	Amortized Cost	Assets at FVPL	Assets at FVOCI		Total
Cash and short-term investments	₱ 3,255,534,668	₱ -	₱ -	₽	3,255,534,668
FVPL investments	_	9,545,696,072	_		9,545,696,072
FVOCI investments	_	_	684,500,101		684,500,101
Receivables*	1,631,514,367	_	_		1,631,514,367
	₱ 4,887,049,035	₱ 9,545,696,072	₱ 684,500,101	₽	15,117,245,208

^{*} Excluding non-financial assets amounting to ₱151.9 million.

Fair Values of Financial Assets and Liabilities

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.

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

FVPL and FVOCI investments are carried at fair value. The following methods and assumptions were used to estimate the fair values:

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

FVPL investments in private equity funds are valued using the adjusted net asset value method. The underlying investments under these private equity funds are carried at fair value. Other FVPL investments in unquoted equity shares are based on prices and other relevant information generated by market transactions involving identical and comparable assets, liabilities or a group of assets and liabilities, such as business. The valuation requires management to use market multiples derived from a set of comparables. Multiples might be in ranges with a difference multiple for each comparable. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors specific to the measurement.

The following tables provide the Group's fair value measurement hierarchy of its assets:

		Fair Value Measurement Using					
		Quoted Prices in Active Markets		Significant Observable Inputs		Significant Unobservable Inputs	
December 31, 2018:	Total	(Level 1)		(Level 2)		(Level 3)	
FVPL investments:							
Quoted equity shares	₱ 6,588,212,12 9	₱ 6,588,212,12 9	₽	_	₽	_	
Unquoted shares	1,086,225,778	_		144,575,751		941,650,027	
Funds and equities	766,122,276	766,062,576		-		59,700	
Bonds	655,218,123	655,218,123		-		-	
Proprietary shares	324,377,072	324,377,072		-		-	
Others	17,792,108	17,792,108		_			
	9,437,947,486	8,351,662,008		144,575,751		941,709,727	
FVOCI investments	694,323,218	694,323,218		_		_	
	₱10,132,270,704	₱ 9,045,985,226	₽	144,575,751	₽	941,709,727	

			Fair Value Measurement Using					
			Pı	Quoted rices in Active Markets		Significant Observable Inputs		Significant Unobservable Inputs
December 31, 2017 (As restated - Note 2):		Total		(Level 1)		(Level 2)		(Level 3)
FVPL investments:								
Quoted equity shares	₽	7,003,083,175	₽ '	7,003,083,175	₽	_	₽	_
Unquoted shares		1,023,376,326		_		270,441,094		752,935,232
Bonds		833,776,158		833,776,158		_		_
Funds and equities		469,050,440		469,050,440		_		_
Proprietary shares		194,320,323		152,320,323		42,000,000		_
Others		22,089,650		22,089,650		_		_
		9,545,696,072		8,480,319,746		312,441,094		752,935,232
FVOCI investments		684,500,101		684,500,101		_		_
	₽	10,230,196,173	₽	9,164,819,847	₽	312,441,094	₽	752,935,232

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

2010	Valuation Technique	Significant Unobservable inputs	Dange	Sensitivity of Input to Fair Value
2018 KSA	DCF Model	Dividend payout is P120.0 million with	Range	of input to Fair Value
		3% annual increase	0% to 5%	0%: fair value of ₱738 5%: fair value of ₱1,154
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,059 30%: fair value of ₱824
		Cost of equity of 13.88%	13% to 15%	13%: fair value of ₱1,021 15%: fair value of ₱858

	Valuation	Significant		Sensitivity
2017	Technique	Unobservable inputs	Range	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

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 FVOCI assets in unquoted equity shares (in millions):

	Enderun					Total
As at 1 January 2017	₽	345	₽	753	₽	1,098
Sales		(345)		_		(345)
As at 31 December 2017		_		753		753
Unrealized gains in profit or loss				189		189
As at 31 December 2018	₽	_	₱	942	₽	942

In 2018, Y-mAbs was listed in NASDAQ which resulted to transfer from Level 2 to Level 1 fair value measurement (see Note 10).

For the years ended December 31, 2018 and 2017, there were no transfers other than mentioned above from Level 1, Level 2 and Level 3 fair value measurements.

31. 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 IQHPC 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, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2018, 2017 and 2016 amounted to ₱2.5 million, ₱7.4 million and ₱11.1 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 2018, 2017 and 2016 amounted to ₱2.7 million, ₱3.3 million and ₱3.0 million, respectively (see Note 22).

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. This was extended until December 31, 2018.

Rent income from the sublease agreement in 2018, 2017 and 2016 amounted to ₱2.6 million, ₱0.9 million and ₱0.4 million, respectively (see Note 24).

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, 2018 and 2017 amounted to nil and ₱9.5 million, respectively.

Service income recognized in 2018, 2017 and 2016 amounted to ₱12.9 million, ₱10.3 million and ₱51.3 million, respectively. Service income recognized in 2018 is for the period ended September 28, 2018.

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 and ₱2.6 billion in 2017 and 2016, respectively. The service income recognized in 2017 is for the period ended October 19, 2017 (see Note 8).
- 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.
 - Rent expense in 2018, 2017 and 2016 amounted to nil, ₱9.2 million and ₱10.7 million, respectively (see Note 22).
- c. On June 30, 2017, Cirrus invested in Cirrus Global Services, Inc. (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 8).

ASAC

ASAC entered into a lease agreement 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, 2018 and 2017 amounted to ₱81.3 million and ₱59.4 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets (see Note 17).
- 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 on 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 ₱3.5 million in 2018, ₱3.2 million in 2017 and ₱3.1 million in 2016.

c. IAI entered into a lease or concessionaire agreement with Manila International Airport Authority which granted IAI 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 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 21, 2019.

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.

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 (P255.9 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 7).
- c. Since 1995, the Company charges a monthly fee amounting to US\$15,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to PRI.

Starting January 1, 2018, both parties mutually agreed to a monthly fee amounting to ₱650,000, inclusive of VAT.

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 3% 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 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. 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 for a monthly fee of US\$1,000.

The OMA, marketing and license contracts will expire on December 31, 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 ₱105.5 million, ₱76.0 million and ₱58.0 million in 2018, 2017 and 2016, 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:

		2018		2017
Not later than one year	₽	1,899,884	₽	2,677,109
Later than one year but not later than 5 years		_		4,461,848
	₽	1,899,884	₽	7,138,957

Rent relating to the lease amounted to ₱2.9 million in 2018, ₱2.7 million in 2017 and ₱2.6 million in 2016.

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 ₱163.4 million, ₱120.8 million and ₱96.0 million in 2018, 2017 and 2016, respectively, and presented as "Services revenue" in the consolidated profit or loss.

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, 2018 and 2017, the restricted fund amounted to ₱83.0 million and ₱81.9 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 17).

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:

	2018		2017
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	321,000,000		363,800,000
	₱ 535,000,000	₽	577,800,000

- 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 2018, 2017 and 2016, SSRLI recognized handling fee, included under "Services revenue" account which amounted to ₱0.7 million, ₱4.7 million and ₱7.6 million, respectively.
- k. SSRLI enters into memorandum of agreements with the buyers of villa. In 2016, two villas were sold and generated gain on sale amounting to ₱331.0 million.
- I. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2018 and 2017, 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 \$\mathbb{P}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 (eliminated in the consolidated balance sheets) amounted to ₱41.4 million and ₱41.5 million as at December 31, 2018 and 2017, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱77.6 million, ₱67.6 million and ₱88.3 million in 2018, 2017 and 2016, respectively.
- b. In 2013, PDP Energy entered into a contract of lease with a 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. In 2018, PDP Energy renewed the lease contract for another five years.

The future aggregate minimum lease payments under the operating lease are as follows:

		2018		2017
Not later than 1 year	₽	7,477,987	₽	5,461,854
More than 1 year but not later than 5 years		31,166,064		240,000
	₽	38,644,051	₽	5,701,854

c. 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.

32. Changes in Liabilities Arising from Financing Activities

					Foreign	
		Cash flow for	Cash flow for	Dividend	Exchange	December 31,
	January 1, 2018	Availment	Repayments	Declaration	Movement	2018
Notes payable	₱ - ₱	₹ 450,000,000 (₹	200,000,000)	₽ - ₽	_	₱ 250,000,000
Long-term debt	1,718,724,321	_	(640,036,621)	_	59,400,000	1,138,087,700
Dividends payable	252,554,370	_	(575,312,404)	608,586,627	_	285,828,593
Total liabilities from						
financing activities	₱ 1,971,278,691 ₱	₹ 450,000,000 (₹	1,415,349,025)	₱608,586,627 ₱	59,400,000	1,673,916,293

					Foreign	
		Cash flow for	Cash flow for	Dividend	Exchange	December 31,
	January 1, 2017	Availment	Repayments	Declaration	Movement	2017
Notes payable	₱ 91,948,200 ₱	- (†	₱ 91,948,200)	₱ - ₱	- f	∍ _
Long-term debt	2,545,581,343	_	(838,534,464)	_	11,677,442	1,718,724,321
Dividends payable	242,208,406	_	(234,015,487)	244,361,451	_	252,554,370
Total liabilities from						
financing activitie	es ₱ 2,879,737,949 ₱	→ - (†	₱ 1,164,498,151)	₱ 244,361,451 ₱	11,677,442	³ 1,971,278,691

33. 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, 2018, the refund process has remained pending.
 - ASAC recognized accruals amounting to ₱1.1 million as at December 31, 2018 and 2017 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, 2018 and 2017, management has recognized provisions for losses amounting to ₱5.7 million (see Note 19) 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, 2018 and 2017, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

34. Subsequent Event

On February 21, 2019, Anscor's BOD approved the declaration of cash dividends amounting to ₱625.0 million (₱0.25 per share, of which ₱0.20 per share is regular dividend and ₱0.05 per share is special dividend) to stockholders of record as of March 15, 2019, payable on April 10, 2019. Net cash dividend payable amounts to ₱302.8 million which excludes dividend for shares held by a subsidiary.

Board of Directors











- 1 ANDRES SORIANO III Chairman of the Board/ Chief Executive Officer/President
- 2 **EDUARDO J. SORIANO** Vice Chairman
- 3 **ERNEST K. CUYEGKENG**
- JOHN L. GOKONGWEI, JR. 4
- 5 OSCAR J. HILADO
- 6 **JOSE C. IBAZETA**
- ROBERTO R. ROMULO



OFFICERS

ERNEST K. CUYEGKENG

Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER

Senior Vice President, Treasurer & 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

MARIA 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.

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 Group Holdings PTE Ltd.

Atram Investment Management Partners Corporation

 ${\bf Direct With Hotels, Inc.}$

Element Data, Inc.

KSA Realty Corporation

Madaket, Inc.

Prople Limited

Sierra Madre Philippines I LP

Vicinetum Holdings, Inc.

Y-mAbs Therapeutics, Inc.

Officers & Corporate Directory

CORPORATE DIRECTORY

Corporate Social Responsibility Arm

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Legal Counsels

Angara Abello Concepcion Regala & Cruz Kapunan & Castillo Picazo Buyco Tan Fider & Santos Tan Acut Lopez & Pison





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