

COVER SHEET

for
SEC FORM 17- Q

SEC Registration Number

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COMPANY NAME

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

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

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

Form Type

1	7	-	Q	
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

	N	A	
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COMPANY INFORMATION

Company's Email Address

info@anscor.ph

Company's Telephone Number/s

819-0251

Mobile Number

N/A

No. of Stockholders

11,316

Annual Meeting
Month/Day

Third Wednesday of April

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Narcisa M. Villaflor

Email Address

nancievillaflor1029@gmail.com

Telephone Number/s

819-0251

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

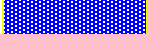
1. For the quarterly period ended September 30, 2018
2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

A. SORIANO CORPORATION

4. Exact name of issuer as specified in its charter

Philippines

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

6. Industry Classification Code:  (SEC Use Only)

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

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

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

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

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

Yes [x] No []

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

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

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

Yes ☒ No ☐

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

Yes ☐ No. ☒

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

Please see SEC FORM 17-Q - Table of Contents

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

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

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer: A. SORIANO CORPORATION

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

Date: November 14, 2018

Principal Financial/Accounting Officer/Controller:
Signature and Title

(Sgd.) NARCISA M. VILLAFLO
VP - Comptroller

Date: November 14, 2018

SEC Form 17-Q
November 14, 2018

SEC FORM 17 – Q
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A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

		Restated (Note 1)	
	September 30	December 31	January 1
	2018	2017	2017
ASSETS			
Current Assets			
Cash and cash equivalents	2,368,929	3,255,535	2,403,740
Fair value through profit and loss (FVPL) investments	9,309,348	9,732,063	8,283,081
Receivables	2,242,772	1,783,449	2,167,502
Inventories	1,061,510	817,360	683,917
Property development in progress	3,177	3,177	3,177
Fair value through other comprehensive income (FVOCI) investments - current	32,113	30,165	47,729
Prepayments	45,386	18,036	18,677
Other current assets	47,578	50,189	151,401
Total Current Assets	15,110,814	15,689,974	13,759,222
Noncurrent Assets			
FVOCI investments - net of current portion	814,856	654,335	800,097
Investments and advances	1,775,719	1,651,840	1,943,574
Goodwill	1,302,276	1,302,276	1,889,496
Property and equipment	2,578,492	2,668,189	2,648,731
Investment properties	236,957	236,522	234,878
Retirement plan asset	93,707	93,707	60,191
Deferred tax assets	60,617	61,082	62,305
Other noncurrent assets	175,377	168,306	129,007
Total Noncurrent Assets	7,037,999	6,836,256	7,768,278
TOTAL ASSETS	21,148,812	22,526,231	21,527,501

LIABILITIES AND EQUITY

Current Liabilities

Notes payable	-	-	91,948
Accounts payable and accrued expenses	791,735	908,931	969,799
Dividends payable	290,607	252,554	242,208
Income tax payable	104,824	65,633	141,745
Current portion of long-term debt	651,032	611,284	629,350
Total Current Liabilities	1,838,198	1,838,403	2,075,050

(Forward)

Note 1: PFRS 9 retroactively applied.

		Restated (Note 1)	
	September 30	December 31	January 1
	2018	2017	2017
Noncurrent Liabilities			
Long-term debt - net of current portion	669,066	1,107,440	1,916,231
Deferred income tax liabilities - net	429,549	420,514	600,160
Retirement benefits payable	3,998	9,184	4,212
Other noncurrent liabilities	131,141	179,519	184,348
Total Noncurrent Liabilities	1,233,754	1,716,658	2,704,951
Total Liabilities	3,071,952	3,555,061	4,780,001
Equity Attributable to Equity Holdings of the Parent			
Capital stock - 1 par value	2,500,000	2,500,000	2,500,000
Additional paid-in capital	1,605,614	1,605,614	1,605,614
Cumulative translation adjustment	519,208	295,801	380,244
Equity reserve on acquisition of noncontrolling interest	(18,300)	(26,357)	(26,357)
Unrealized valuation gain (loss) on FVOCI investments	(8,824)	14,158	11,741
Remeasurement on retirement benefits	55,047	57,995	37,609
Retained Earnings			
Appropriated	7,150,000	7,150,000	7,150,000
Unappropriated	9,145,521	9,239,630	6,802,093
Cost of shares held by a subsidiary (1,285,901,246 shares in 2018, 1,282,826,746 shares on December 31, 2017 and 1,267,406,746 shares on January 1, 2017)	(2,342,832)	(2,324,315)	(2,226,273)
	18,605,433	18,512,525	16,234,671
Noncontrolling interests	471,427	458,645	512,829
Total Equity	19,076,861	18,971,170	16,747,500
TOTAL LIABILITIES AND EQUITY	22,148,812	22,526,231	21,527,501

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	2018	Restated (Note 1) 2017
REVENUES				
Sale of goods - net	5,985,198	5,168,803	1,978,669	1,892,508
Services	943,879	2,603,165	211,579	734,727
Interest income	78,378	70,686	24,898	25,307
Dividend income	231,694	251,496	12,073	78,429
Equity in net earnings of associates	(127,414)	-	(130,967)	-
	7,111,734	8,094,150	2,096,251	2,730,972
INVESTMENT GAINS				
Gain on sale of long-term investment	25,573	-	25,573	-
Gain on sale of FVOCI investments	847	13,587	1,009	2,909
Gain (loss) on increase (decrease) in market values of FVPL investments	(258,089)	1,259,350	877,570	(283,935)
	(231,669)	1,272,937	904,153	(281,026)
	6,880,065	9,367,087	3,000,404	2,449,946
Cost of goods sold	(4,998,646)	(4,370,761)	(1,660,770)	(1,630,786)
Services rendered	(348,178)	(1,590,149)	(112,495)	(448,497)
Operating expenses	(837,678)	(1,065,174)	(259,725)	(303,666)
Valuation allowances - net	(18,938)	(754)	(18,738)	(183)
Interest expense	(57,414)	(71,019)	(17,756)	(24,771)
Foreign exchange gain	168,800	21,007	30,134	9,974
Other income (charges) - net	46,922	(97,709)	(1,743)	(121,119)
	(6,045,132)	(7,174,559)	(2,041,093)	(2,519,049)
INCOME (LOSS) BEFORE INCOME TAX	834,933	2,192,528	959,311	(69,102)
PROVISION FOR INCOME TAX - NET	257,764	198,827	65,207	7,564
NET INCOME (LOSS)	577,168	1,993,701	894,104	(76,666)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation Gain (loss) on FVOCI investments	(31,985)	24,030	(963)	7,952
Realized gains on sale of FVOCI investments, net of impairment losses	(847)	(13,587)	(1,009)	(2,909)
Unrealized gain on remeasurement of retirement benefits	(4,211)	-	1,105	6,121
Cumulative translation adjustment	223,407	77,525	50,354	41,505
Income tax effect	11,113	(2,461)	260	(866)
OTHER COMPREHENSIVE INCOME	197,477	85,507	49,747	51,802
TOTAL COMPREHENSIVE INCOME (LOSS)	774,646	2,079,207	943,851	(24,864)

Note 1: Included account balances of Cirrus Medical Staffing, Inc. which was sold on October 19, 2017. PFRS 9 retroactively applied

	Periods Ended September 30		Quarters Ended September 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	2018	2017
Net Income (Loss) Attributable to:				
Equity holders of the parent	514,478	1,962,177	894,535	(65,681)
Minority interest	62,691	31,523	(432)	(10,985)
	577,168	1,993,701	894,104	(76,666)

Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the parent	711,955	2,047,684	944,282	(13,879)
Minority interest	62,691	31,523	(432)	(10,985)
	774,646	2,079,207	943,851	(24,864)

Earnings Per Share *

Basic/Diluted, for net income (loss) attributable to equity holders of the Parent	0.42	1.61	0.74	(0.05)
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Earnings Per Share *

Basic/Diluted, for total comprehensive income (loss) attributable to equity holders of the Parent	0.59	1.68	0.78	(0.01)
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Note 1: Included account balances of Cirrus Medical Staffing, Inc. which was sold on October 19, 2017. PFRS 9 retroactively applied.

* Based on number of shares outstanding of 1,214,098,754 and 1,217,475,754 in September 30, 2018 and 2017, respectively.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	RESTATED (Note 1)										
	Attributable to Equity Holders of the Parent						Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on FVOCI Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	1,899,777	37,609	380,244	7,150,000	4,914,057	(2,226,273)	512,829	16,747,500
Restatement of Beg. Bal., PFRS 9	-	-	-	(1,888,036)	-	-	-	1,888,036	-	-	-
Restated, Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	11,741	37,609	380,244	7,150,000	6,802,093	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	7,982	-	77,525	-	1,962,177	-	31,523	2,079,207
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(95,918)	-	(95,918)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(37,898)	(37,898)
Restated, Balance at 09/30/2017	2,500,000	1,605,614	(26,357)	19,723	37,609	457,769	7,150,000	8,519,909	(2,322,191)	506,454	18,448,530
Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	3,003,272	57,995	295,801	7,150,000	6,250,516	(2,324,315)	458,645	18,971,170
Restatement of Beg. Bal., PFRS 9	-	-	-	(2,989,114)	-	-	-	2,989,114	-	-	-
Restated, Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	14,158	57,995	295,801	7,150,000	9,239,630	(2,324,315)	458,645	18,971,170
Comprehensive income	-	-	-	(22,982)	(2,948)	223,407	-	514,478	-	62,691	774,646
Cash dividends - net	-	-	-	-	-	-	-	(608,587)	-	-	(608,587)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(18,517)	-	(18,517)
Movement in noncontrolling interest	-	-	8,057	-	-	-	-	-	-	(49,909)	(41,852)
Restated, Balance at 09/30/2018	2,500,000	1,605,614	(18,300)	(8,824)	55,047	519,208	7,150,000	9,145,521	(2,342,832)	471,427	19,076,861

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	834,933	2,192,528	959,311	(69,102)
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	258,089	(1,259,350)	(877,570)	283,935
Depreciation and amortization	188,283	188,919	61,740	63,397
Interest expense	57,414	71,019	17,756	24,771
Valuation allowances - net	18,938	754	18,738	183
Dividend income	(231,694)	(251,496)	(12,073)	(78,429)
Foreign exchange gain - net	(96,568)	(16,318)	(5,285)	(409)
Interest income	(78,378)	(70,686)	(24,898)	(25,307)
Gain from sale of long-term investments	(25,573)	-	(25,573)	-
Equity in net earnings of associates	127,414	-	130,967	-
Gain on sale of FVOCI investments	(847)	(13,587)	(1,009)	(2,909)
Gain on sale of property and equipment	(449)	(17,352)	(346)	-
Write-off of goodwill	-	103,137	-	103,137
Operating income before working capital changes	1,051,563	927,568	241,758	299,266
Decrease (increase) in:				
FVPL investments	244,622	357,117	152,254	(1,147)
Receivables	(460,002)	(169,077)	(258,743)	(390,356)
Inventories	(244,150)	(344,752)	(1,054)	(60,123)
Increase (decrease) in:				
Accounts payable and accrued expenses	(117,196)	73,981	(2,050)	279,151
Retirement benefits payable	(8,134)	(1,902)	(1,766)	5,363
Net cash generated from operations	466,704	842,935	130,398	132,154
Dividend received	231,694	251,496	12,073	78,429
Interest received	78,087	71,891	24,782	25,817
Interest paid	(57,414)	(71,019)	(17,756)	(24,771)
Income taxes paid	(199,671)	(255,017)	(60,351)	(3,661)
Net cash flows from operating activities	519,400	840,286	89,147	207,969

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	2018	Restated (Note 1) 2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of:				
FVOCI investments	76,049	495,582	42,103	172,531
Long-term investments	3,262	-	3,262	-
Property and equipment	3,480	19,451	2,212	201
Addition to:				
FVOCI investments	(210,165)	(557,433)	(11,024)	(118,796)
Long-term investments	(102,946)	-	-	-
Investment properties	(435)	(1,569)	-	(140)
Property and equipment	(101,617)	(193,163)	(43,214)	(40,366)
Decrease (increase) in:				
Prepayments and other assets	(31,810)	(117,747)	(33,227)	(58,629)
Other noncurrent liabilities	(48,379)	16,853	(9,277)	(5,168)
Advances to affiliates	2,828	(757)	1,837	(5,681)
Net cash flows used in investing activities	(409,733)	(338,782)	(47,328)	(56,048)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from long-term debt	(479,955)	(683,627)	(162,639)	(154,945)
Payment of:				
Notes payable	-	(91,948)	(200,000)	(45,155)
Dividends	(570,534)	(247,567)	-	(2,912)
Company shares purchased by a subsidiary	(18,517)	(95,918)	(18,517)	(1)
Increase (decrease) in:				
Deferred revenue	-	(226)	9,242	(355)
Minority interest	(37,801)	(37,898)	1,389	14
Net cash flows used in financing activities	(1,106,806)	(1,157,185)	(370,525)	(203,353)
EFFECT OF EXCHANGE RATE CHANGES IN				
CASH AND CASH EQUIVALENTS	110,533	13,326	31,008	10,538
NET DECREASE IN CASH AND CASH EQUIVALENTS	(886,606)	(642,355)	(297,699)	(40,894)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,255,535	2,403,740	2,666,628	1,802,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,368,929	1,761,385	2,368,929	1,761,385

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

		Restated (Note 1)	
	September 30	December	January 1
	2018	2017	2017
ASSETS			
Cash and Cash Equivalents	1,223,856	1,696,679	836,979
Fair Value through Profit and Loss (FVPL) Investments	7,901,672	9,215,965	7,959,322
Fair value through other comprehensive income (FVOCI) investments	846,969	684,500	847,825
Receivables - net	415,727	152,725	160,642
Investments and Advances- net	7,244,939	7,069,111	7,872,221
Property and Equipment - net	18,216	21,152	23,922
Retirement Plan Asset	87,464	87,464	51,022
Other Assets	1,514	921	844
TOTAL ASSETS	17,740,357	18,928,517	17,752,778
LIABILITIES AND EQUITY			
Liabilities			
Accounts Payable and Accrued Expenses	35,357	40,467	42,063
Dividends Payable	290,607	252,554	241,914
Long-term Debt	732,389	1,011,083	1,566,180
Deferred Income Tax Liabilities - net	95,682	80,632	60,130
Total Liabilities	1,154,035	1,384,736	1,910,288
Equity			
Capital Stock - 1 Par Value	2,500,000	2,500,000	2,500,000
Additional Paid-in Capital	1,589,800	1,589,800	1,589,800
Unrealized valuation gain (loss) on FVOCI investments	(8,824)	14,158	11,741
Remeasurement on Retirement Benefits	53,817	53,817	28,451
Retained Earnings			
Appropriated	7,150,000	7,150,000	7,150,000
Unappropriated	5,301,529	6,236,007	4,562,499
Total Equity	16,586,321	17,543,781	15,842,490
TOTAL LIABILITIES AND EQUITY	17,740,357	18,928,517	17,752,778

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	2018	2017
REVENUES				
Dividend income	1,186,343	520,312	262,073	78,286
Interest income	74,648	64,291	22,722	21,419
Management fees	60,936	50,549	17,934	19,175
	1,321,927	635,153	302,728	118,880
INVESTMENT GAINS				
Gains (loss) on increase (decrease) in market values of FVPL investments	(964,541)	1,259,350	179,223	(283,935)
Gain on sale of FVOCI investments	847	13,587	1,009	2,909
	(963,695)	1,272,937	180,233	(281,026)
	358,232	1,908,089	482,961	(162,146)
Operating expenses	(182,501)	(166,831)	(47,713)	(29,046)
Foreign exchange gain	160,446	19,041	27,739	9,518
Interest expense	(31,610)	(35,832)	(10,061)	(11,878)
Others - net	37,655	17,923	20,602	359
	(16,011)	(165,700)	(9,434)	(31,047)
INCOME (LOSS) BEFORE INCOME TAX	342,221	1,742,389	473,527	(193,193)
PROVISION FOR (BENEFIT FROM) INCOME TAX - NET	26,699	8,336	8,239	(2,531)
NET INCOME (LOSS)	315,522	1,734,054	465,288	(190,663)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on FVOCI investments	(31,985)	23,262	(963)	8,366
Realized gains on Sale of FVOCI investments	(847)	(13,587)	(1,009)	(2,909)
Income Tax Effect	9,849	(2,461)	592	(1,196)
OTHER COMPREHENSIVE INCOME (LOSS)	(22,982)	7,214	(1,381)	4,262
TOTAL COMPREHENSIVE INCOME (LOSS)	292,540	1,741,268	463,908	(186,401)
Earnings Per Share:				
Net income (loss)	0.13	0.69	0.19	(0.08)
Total comprehensive income (loss)	0.12	0.70	0.19	(0.07)

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	RESTATED (Note 1)						
	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on FVOCI Investments	Unrealized Actuarial Gain	Retained Earnings		Total
					Appropriated	Unappropriated	
Balance at 12/31/2016	2,500,000	1,589,800	1,861,617	28,451	7,150,000	2,712,623	15,842,490
Restatement of Beg. Bal., PFRS 9	-	-	(1,849,877)	-	-	1,849,877	-
Restated, Balance at 12/31/2016	2,500,000	1,589,800	11,741	28,451	7,150,000	4,562,499	15,842,490
Comprehensive income	-	-	7,214	-	-	1,734,054	1,741,268
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Restated, Balance at 09/30/2017	2,500,000	1,589,800	18,955	28,451	7,150,000	5,796,553	17,083,758
Balance at 12/31/2017	2,500,000	1,589,800	2,964,562	53,817	7,150,000	3,285,603	17,543,782
Restatement of Beg. Bal., PFRS 9	-	-	(2,950,404)	-	-	2,950,404	-
Restated, Balance at 12/31/2017	2,500,000	1,589,800	14,158	53,817	7,150,000	6,236,007	17,543,781
Comprehensive income	-	-	(22,982)	-	-	315,522	292,540
Cash dividends	-	-	-	-	-	(1,250,000)	(1,250,000)
Restated, Balance at 09/30/2018	2,500,000	1,589,800	(8,824)	53,817	7,150,000	5,301,529	16,586,321

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	2018	Restated (Note 1) 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	342,221	1,742,389	473,527	(193,193)
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	964,541	(1,259,350)	(179,223)	283,935
Interest expense	31,610	35,832	10,061	11,878
Depreciation and amortization	7,049	6,578	2,418	2,395
Dividend income	(1,186,343)	(520,312)	(262,073)	(78,286)
Unrealized foreign exchange gain	(160,446)	(19,041)	(27,739)	(9,518)
Interest income	(74,648)	(64,291)	(22,722)	(21,419)
Gain on sale of FVOCI investments	(847)	(13,587)	(1,009)	(2,909)
Gain on sale of property and equipment	(41)	(17,352)	-	-
Operating loss before working capital changes	(76,902)	(109,133)	(6,760)	(7,117)
Increase in receivables	(263,002)	(53,310)	(235,997)	(88,069)
Decrease in FVPL investments	429,747	357,117	283,475	(1,147)
Increase (decrease) in accounts payable and accrued expenses	(5,109)	151,691	2,093	(6,460)
Net cash generated from (used in) operations	84,735	346,364	42,811	(102,793)
Dividend received	421,343	520,312	137,073	78,286
Interest received	74,357	65,497	22,607	21,929
Interest paid	(31,610)	(35,832)	(10,061)	(11,878)
Income tax paid	(1,800)	(1,415)	(605)	(485)
Net cash flows from (used in) operating activities	547,025	894,926	191,824	(14,941)

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended September 30		Quarters Ended September 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	76,049	495,582	42,103	172,531
Property and equipment	1,205	17,616	-	264
Redemption of preferred shares	10,000	-	-	-
Additions to:				
FVOCI investments	(210,165)	(365,506)	(11,024)	(56,025)
Long-term investments	(102,946)	-	-	-
Property and equipment	(5,278)	(5,863)	(1,603)	(2,441)
Increase in:				
Advances to affiliates	40,705	(100,990)	(139,713)	66,718
Other assets	(593)	71	(145)	240
Net cash flows from (used in) investing activities	(191,022)	40,910	(110,382)	181,287
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	(360,023)	(452,858)	(122,231)	(114,638)
Cash dividends	(570,534)	(502,912)	-	(2,912)
Net cash flows used in financing activities	(930,556)	(955,769)	(122,231)	(117,549)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS				
	101,731	11,312	28,166	10,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(472,823)	(8,621)	(12,624)	58,879
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
	1,696,679	836,979	1,236,480	769,479
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	1,223,856	828,358	1,223,856	828,358

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations					Eliminations	After Eliminations Consolidated
	Wire Manufacturing	Resort Operation	Operations (Note 1)	Holding Co (Parent)	Total		
09/30/2018							
REVENUE	5,985,198	776,658	1,561,581	358,232	8,681,669	(1,801,604)	6,880,065
TOTAL COMPREHENSIVE INCOME (LOSS)	497,334	153,234	1,351,814	292,540	2,294,921	(1,520,276)	774,646
TOTAL ASSETS	4,083,511	1,549,717	12,781,160	17,740,357	36,154,744	(14,005,932)	22,148,812
INVESTMENTS PORTFOLIO *	15,367	90,453	12,409,771	15,993,580	28,509,171	(16,340,178)	12,168,992
PROPERTY & EQUIPMENT	613,752	778,375	80,126	18,216	1,490,470	1,088,022	2,578,492
TOTAL LIABILITIES	1,161,814	493,183	3,262,904	1,154,035	6,071,937	(2,999,985)	3,071,952
DEPRECIATION AND AMORTIZATION	53,389	75,975	31,882	7,049	168,295	19,988	188,283

	Before Eliminations						Eliminations	After Eliminations Consolidated
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total		
Restated, 09/30/2017								
REVENUE	1,833,870	5,168,803	591,271	455,147	1,908,089	9,957,180	(590,093)	9,367,087
TOTAL COMPREHENSIVE INCOME (LOSS)	89,865	410,949	54,969	243,857	1,741,268	2,540,908	(461,701)	2,079,207
TOTAL ASSETS	1,079,246	3,918,648	1,548,438	13,172,714	18,735,122	38,454,169	(15,909,550)	22,544,619
INVESTMENTS PORTFOLIO *	-	12,057	101,640	12,847,147	17,618,073	30,578,918	(18,156,673)	12,422,245
PROPERTY & EQUIPMENT	5,424	634,208	766,333	107,295	22,943	1,536,203	1,114,673	2,650,876
TOTAL LIABILITIES	458,588	1,378,347	480,451	4,048,348	1,651,364	8,017,098	(3,919,061)	4,098,038
DEPRECIATION AND AMORTIZATION	2,015	55,271	74,967	30,100	6,578	168,930	19,988	188,919

* ***Inclusive of FVPL investments, FVOCI investments, advances & investments and investment properties.***

** ***Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA. This investment was sold on October 19, 2017.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

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

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

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

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

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

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

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

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Effective January 1, 2018, the Group adopted PFRS 9. The adoption covers the following changes in accounting policies in 2018:

(a) Classification and measurement

Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement.

Quoted and unquoted equity shares previously held as AFS are now measured at fair value through profit or loss, causing an increase volatility in profit or loss.

(b) Impairment

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

The Group applied PFRS 9 retrospectively resulting to prior period restatements.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and supersedes all current revenue recognition requirements under PFRSs.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

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

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2017

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

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

- **Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures***
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Entities shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- **Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments***
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at September 30, 2018 and December 31, 2017:

	Nature of Business	Percentage of Ownership	
		2018	2017
A. Soriano Air Corporation	Services/Rental	100	100
Pamalican Island Holdings, Inc.	Holding	62	62
Island Aviation, Inc.	Air Transport	62	62
Anscor Consolidated Corporation	Holding	100	100
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	100	100
Akapulko Holdings, Inc.	Real Estate Holding	100	100
Lakeroad Corp.	Real Estate Holding	100	100
Mainroad Corp.	Real Estate Holding	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	100	100
Makisig Holdings, Inc.	Real Estate Holding	100	100

	Nature of Business	Percentage of Ownership	
		2018	2017
Malikhain Holdings, Inc.	Real Estate Holding	100	100
Mountainridge Corp.	Real Estate Holding	100	100
Rollingview Corp.	Real Estate Holding	100	100
Timbercrest Corp.	Real Estate Holding	100	100
Anscor International, Inc.	Holding	100	100
IQ Healthcare Investments Limited	Manpower Services	100	100
IQ Healthcare Professional Connection, LLC	Manpower Services	100	100
Phelps Dodge International Philippines, Inc.	Holding	100	100
Minuet Realty Corporation	Landholding	100	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	100	100
PD Energy International Corporation	Wire Manufacturing	100	100
Sutton Place Holdings, Inc.	Holding	100	100
Cirrus Global, Inc.	Manpower Services	60	93
AFC Agribusiness Corporation	Real Estate Holding	81	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	62	62
Pamalican Resort, Inc.	Resort Operations	62	62
Summerside Corp.	Investment Holdings	40	40

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

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

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

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

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

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

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

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

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

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

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

Current Versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there 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 Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

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

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

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

The following are the Group's associates:

	Nature of Business	Percentage of Ownership	
		2018	2017
Associates			
Prople Limited	Business Process Outsourcing	32	32
Vicinetum Holdings, Inc. (VHI)	Holding	32	32
AGP International Holdings Ltd. (AGPI) *	Holding	27	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	21	21
ATRAM Investment Management Partners Corp. (AIMP)	Asset Management	20	20

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

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

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.

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

Business Combinations and Goodwill

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

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

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

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

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has

correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

Asset Acquisitions

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

Disposal Group and Discontinued Operations

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

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

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

Foreign Currency Translation

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

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

Fair Value Measurement

The Group measures financial assets (such as FVPL and 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. From January 1, 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortized cost, FVOCI investments or FVPL investments.

Classification of financial instruments

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

As of September 30, 2018 and December 31, 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 and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of September 30, 2018 and December 31, 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.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of September 30, 2018 and December 31, 2017, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds,

and derivatives. No financial liability at FVPL is outstanding as of September 30, 2018 and December 31, 2017.

(b) Loans and receivables

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

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

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

(c) Debt instruments at FVOCI

The Group applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments comprise assets that had previously been classified as financial investments available-for-sale under PAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-

bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

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

As of September 30, 2018 and December 31, 2017, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of September 30, 2018 and December 31, 2017, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the

recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

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

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

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for

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

FVOCI investments

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

Day 1 Difference

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue

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

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

Sale of goods

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

Sale of real estate

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

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

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

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

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

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

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

Interest

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

Dividends

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

Rental

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

Costs and Expenses

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold

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

Cost of real estate sold

The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered

All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and

employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

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

Selling, general and administrative expenses

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

Other Comprehensive Income

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

Cash and Cash Equivalents

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

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

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

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable

costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

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

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

Property and Equipment

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

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

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

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

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

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

** or lease term, whichever is shorter*

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

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

Property Development in Progress

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

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

Investment Properties

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

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced

by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

Impairment of Nonfinancial Assets

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

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

the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

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

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

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

Customer's Deposit for Property Development

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

Other Noncurrent Assets and Other Noncurrent Liabilities

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

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings

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

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

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

Cost of Shares Held by a Subsidiary

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

Leases

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

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

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

The Group as Lessee

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

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and

recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

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

Pension Benefits

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Provisions and Contingencies

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

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

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

Income Taxes

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

Value-added Tax (VAT)

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

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

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

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of September 30, 2018 and December 31, 2017.

Dividends on Common Shares

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

Events After the Reporting Period

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determination of functional currency

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

Classification of financial instruments

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

Operating lease commitments - the Group as Lessee

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

Assessment of control over the entities for consolidation

The Group has wholly owned, majority and minority-owned subsidiaries. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

Estimates and Assumptions

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

Impairment losses on loans and receivables

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

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized.

Valuation of unquoted equity investments

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

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

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

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

Impairment of FVOCI debt investments

For FVOCI debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment.

Estimation of allowance for inventory and impairment losses

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

Estimation of useful lives of the Group's property and equipment

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

Investments carried under the equity method

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

Impairment of non-financial assets

(a) Property and equipment and investment properties

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

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

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended September 30, 2018.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the “value-in-use” of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of deferred income tax assets

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

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations

are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

- a) maintaining a bond portfolio that earns adequate cash yields and,
- b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, 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 quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

e. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market.

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

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 objective through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial

policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the period ended September 30, 2018.

6. Financial Instruments

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

(In thousand pesos)	September 30, 2018		Restated December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FVPL investments:				
Quoted equity shares	P6,668,180	P6,668,180	P7,003,083	P7,003,083
Bonds and convertible note	580,097	580,097	833,776	833,776
Funds and equities	734,669	734,669	491,140	491,140
Proprietary shares	200,320	200,320	194,320	194,320
Unquoted equity shares	1,124,082	1,124,082	1,209,744	1,209,744
	9,309,348	9,309,348	9,732,063	9,732,063
FVOCI investments:				
Bonds and convertible note	846,969	846,969	684,500	684,500
	846,969	846,969	684,500	684,500
	P10,156,317	P10,156,317	P10,416,563	P10,416,563

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.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities, quoted equity shares, proprietary shares and others are derived from quoted market prices in active markets.
- FVPL investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- FVOCI investments in bonds is derived from quoted market prices in active markets.

The following table provides the Group's fair value measurement hierarchy of its assets:

As of September 30, 2018:

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Quoted equity shares	P6,668,180	P6,668,180	P—	P—
Bonds and convertible note	580,097	580,097	—	—
Funds and equities	734,669	734,669	—	—
Proprietary shares	200,320	200,320	—	—
Unquoted equity shares	1,124,082	-	—	1,124,082
	9,309,348	8,185,266	—	1,124,082
FVOCI investments:				
Bonds and convertible note	846,969	846,969	—	—
	846,969	846,969	—	—
	P10,156,317	P9,032,235	P—	P1,124,082

Restated, as of December 31, 2017:

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total				
FVPL investments:				
Quoted equity shares	P7,003,083	P7,003,083	P–	P–
Bonds and convertible note	833,776	833,776	–	–
Funds and equities	491,140	491,140	–	–
Proprietary shares	194,320	194,320	–	–
Unquoted shares	1,209,744	–	–	1,209,744
	9,732,063	8,522,319	–	1,209,744
FVOCI investments:				
Bonds and convertible note	684,500	684,500	–	–
	684,500	684,500	–	–
	P10,416,563	P9,206,819	P–	P1,209,744

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

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Dividend payout is 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 FVPL assets in unquoted equity shares (in millions):

	KSA
As at 1 January 2016	₱516
Purchases	237
As at 31 December 2016	753
Purchases 2017 and 2018	–
As at 30 September 2018	₱753

For the periods ended September 30, 2018 and December 31, 2017, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments*, which resulted to restatement of December 31, 2017 balances.

There was no other significant change in the Company's Consolidated Balance Sheet as of September 30, 2018 versus December 31, 2017 except for the decrease in market value of FVPL investments from P9.7 billion to P8.6 billion due to the slow down in the Philippine stock market in 2018.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P1.5 billion partially offset by cash generated from operating activities.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the P955.4 billion decline in market value of local traded shares and foreign denominated investment in bonds, stocks and funds offset by the increase in market value of YmAbs investment which started to be traded in NASDAQ effective September 19, 2018. Net disposal for the period amounted to P259.1 million and unrealized foreign exchange gain related to foreign denominated investments amounts to P94.5 million.

Receivables

The increase in receivables was mainly due to improved revenues of the wire manufacturing business.

Inventories

The increase was due to higher level of finished goods and raw materials inventories of the wire manufacturing subsidiary and higher spare parts and supplies of the aviation subsidiary.

Prepayments and other current assets

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

Fair value through other comprehensive income (FVOCI) investments - current & noncurrent

Net increase in this account amounted to P162.5 million. The increase can be attributed to higher market value of AFS investments of about P10.4 million; net additions to AFS investments of P134.1 million and unrealized foreign exchange gain for nine months of 2018.

Investments and Advances

The increase in investments and advances were due additional investment made by the parent company amounting to P102.9 million and the unrealized foreign exchange gain related to foreign equity investment of P151.2 million.

Property, Plant and Equipment - net

Decrease can be traced to depreciation amounting to P188.3 million offset by acquisition of property and equipment of P98.6 million, mainly attributable to capital expenditures of the manufacturing, aviation and resort subsidiaries.

Accounts Payable and Accrued Expenses

The decrease was mainly attributable to the payment of liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Dividends Payable

The balance pertained to unencashed checks of stockholders with problematic addresses.

Income Tax Payable

Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for nine months of 2018, partially offset by income taxes paid during the period by the Group.

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to P480.0 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company when translated to the exchange rate as of September 30, 2018.

Other noncurrent liabilities

Decrease in the account balance was mainly due to the use of deposit from villa owners for back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)

This account includes translation adjustments of Anscor International, Inc., and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US\$, CTA balance increased by P223.4 million.

Unrealized valuation gains (loss) on FVOCI investments (equity portion)

Decrease in the account is attributable to the decline in market values of FVOCI investments - bonds, from January 1 to September 30, 2018.

Others

There were no commitments for major capital expenditures in 2018.

8. Results of Operation

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

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments*, which resulted to restatement of September 30, 2017 balances.

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

	Periods ended September 30	
	2018	Restated 2017
Revenues (excluding investment gains or losses)	1,321,927	635,153
Investment Gains (Losses)	(963,695)	1,272,937
Total Comprehensive Income (Loss)	292,540	1,741,268
Earnings (Loss) Per Share	0.12	0.70
Market Price Per Share (PSE)	5.95	6.97

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

Revenues

This year's consolidated gross revenues of P6.9 billion was significantly lower than last year's revenue of P9.4 billion as revenues for 2018 no longer included revenues from the staffing business in the USA which was sold in October 2017. In addition, the gain on increase in market value of FVPL investments last year was P1.3 billion vs a loss of P258.1 million in 2018. These were offset by the increase in sales revenue of PDP Energy, which

was higher by P816.4 million or 15.8%. Also, resort operations reported improved revenues.

Cost of Goods Sold

Increase in cost of goods sold was mainly attributable to higher cost of goods of the wire manufacturing subsidiary due to their increased revenues.

Services Rendered

Cost of service rendered of CMSI was no longer consolidated which primarily explained the decrease in the cost of services from P1.6 billion to P348.2 million.

Operating Expenses

Operating expenses in three quarters of 2017 included the expenses of CMSI, which effectively lowered the Group operating expenses for nine months of 2018 since CMSI was sold on October 19, 2017.

Foreign Exchange Gain

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

Interest Expense

Amount in 2018 was slightly lower than 2017 due to payment of long-term loan by the parent company and PDP.

Provision for Income Tax - net

The current provision for income tax of the Group increased due higher taxable income of PDP and the Resort which reported higher profits for nine months of 2018.

Noncontrolling Interests (statements of financial position)

Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for nine months of 2018.

9. Cash Flows

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

10. Financial information

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

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,285,901,246 shares of Anscor. During nine months of 2018, Anscorcon purchased 3.1 million Anscor shares amounting P18.5 million.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended September 30	
	2018	2017
<i>Volume sold (MT)</i>	11,674	11,683
<i>Revenue</i>	5,985,198	5,168,803
<i>Net Income</i>	497,334	410,949

PDP Energy's revenue increased by 15.8% in 2018 as against 2017's revenues.

PDP recorded a net income of P497.3 million for nine months of 2018, higher than the P410.9 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 56.9% for nine months of 2018, higher than the 2017 average occupancy rate of 53.9%. Average room rate was P63,091, an increase from last year's average room rate of P52,916. Total hotel revenues amounted to P776.7 million, an improvement from last year's revenues of P591.3 million partially helped by the appreciation of the Philippine peso vis-à-vis US\$. Gross operating profit (GOP) of P353.9 million increased by P139.6 million versus 2017's GOP.

Seven Seas reported a consolidated net income of P153.2 million for nine months of 2018, higher by 179% from last year's net income of P55.0 million.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	09/30/2018	Restated 09/30/2017
1. Book Value Per Share (Note 1)	15.32	14.74
2. Current Ratio (Note 2)	8.22	7.37
3. Debt to Equity Ratio (Note 3)	0.17	0.23
4. Asset to Equity Ratio (Note 4)	1.19	1.26
5. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	7.5%	20.9%
6. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	2.8%	10.9%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares

Note 2 – Current Assets/Current Liabilities

Note 3 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent

Note 4 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	09/30/2018	09/30/2017
1. Volume	11,674	11,683
2. Revenue	5,985,198	5,168,803
3. Net income	497,334	410,949

Seven Seas Group

In Thousand Pesos

	09/30/2018	09/30/2017
1. Occupancy rate	56.9%	53.9%
2. Hotel revenue	776,658	591,271
3. Gross operating profit (GOP)	353,870	214,284
4. GOP ratio	45.6%	36.2%
5. Net income	153,234	54,969

Occupancy rate is based on actual room nights sold over available room nights on a 9-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

A. SORIANO CORPORATION (Parent Only)**Receivables****(In Thousand Pesos)****September 30, 2018**

Particulars	Current	1-30 days	31-60 days	61-120	121-180	181-360	Over 1 yr.	TOTAL
BIR- Creditable Withholding tax	163	2,993	38,558	19,600	805	28,588	39,008	129,715
Phelps Dodge - Management fees	18,886	600	3,298	-	-	-	-	22,783
Powersource Group Holdings Corporation	-	240,030	-	-	-	-	-	240,030
Int. Receivable-Bonds-Bank of Singapore	2,953	2,805	5,578	-	-	-	-	11,337
Int. Receivable-Bonds-BPI	2,396	2,741	1,598	-	-	-	-	6,735
Others	445	62	257	4,363	-	-	-	5,126
Total Receivable	24,843	249,231	49,288	23,963	805	28,588	39,008	415,727