A. Soriano Corporation and Subsidiaries

Consolidated Financial Statements
As at December 31, 2018 and 2017
and for the Years Ended December 31, 2018, 2017 and 2016

and

Independent Auditor's Report

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

The goodwill arising from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc. as described in Note 7 to the consolidated financial statements amounted to ₱1,302.3 million as at December 31, 2018 and is considered significant to the consolidated financial statements. Under the PFRSs, the Group is required to annually test the amount of goodwill for impairment. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimated recoverable amount to management's assumptions and judgments. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

Audit Response

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

Recoverability of Investment in an Associate

In 2018, the Group identified indicators of possible impairment in its investment in an associate and, as required in PFRSs, assessed the recoverability of its investment based on management's estimated expected cash flows from the operations of the associate, judgment over the appropriate valuation model and valuation assumptions such as discount rate and long-term growth rate. The investment in the associate, as disclosed in Note 14 to the consolidated financial statements, amounted to ₱1,274.8 million as at December 31, 2018, which is material to the consolidated financial statements.

Audit Response

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

Classification and Fair Valuation of Equity Instruments

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

Audit Response

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

Provisions and Contingencies

The Group is subject to examinations by tax authorities which may result to taxation issues due to different interpretation of tax laws, rulings and jurisprudence. Evaluating the completeness and proper valuation of provisions for tax exposures was significant to our audit because it requires application of significant estimates and judgment by management. There is also inherent uncertainty over the outcome of these tax examinations. Any change on these assumptions and estimates could have a material impact on the Group's consolidated financial statements. The disclosures on the Group's contingencies are included in Note 33 to the consolidated financial statements.

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
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February 26, 2018, valid until February 25, 2021
PTR No. 7332594, January 3, 2019, Makati City

February 21, 2019

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

(Forward)

	December 31		January 1
	2018	2017 (As restated – Note 2)	2017 (As restated – Note 2)
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 20)	**₱502,397,329**	₱1,107,440,450	₱1,916,231,143
Deferred revenues (Note 31)	–	9,469,328	8,601,560
Deferred income tax liabilities - net (Note 26)	**449,755,161**	420,514,319	600,160,058
Retirement benefits payable - net (Note 25)	**12,858,113**	9,184,074	4,211,769
Other noncurrent liabilities (Notes 17 and 31)	**143,405,664**	170,050,058	175,746,074
Total Noncurrent Liabilities	**1,108,416,267**	1,716,658,229	2,704,950,604
Total Liabilities	**3,190,576,309**	3,555,060,928	4,780,000,971
Equity Attributable to Equity Holders of the Parent (Note 21)			
Capital stock - ₱1 par value	**2,500,000,000**	2,500,000,000	2,500,000,000
Additional paid-in capital	**1,605,613,566**	1,605,613,566	1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)	–	(26,356,543)	(26,356,543)
Cumulative translation adjustment	**385,512,775**	295,582,321	380,244,251
Unrealized valuation gains (losses) on FVOCI investments (Notes 2 and 13)	**(8,128,524)**	14,157,787	11,740,571
Remeasurement on retirement benefits (Note 25)	**39,853,028**	57,994,622	37,608,665
Retained earnings:			
Appropriated (Note 21)	**7,150,000,000**	7,150,000,000	7,150,000,000
Unappropriated (Notes 2 and 21)	**9,259,613,912**	9,059,813,726	6,756,716,458
Cost of shares held by a subsidiary (1,288,088,646 shares and 1,282,826,746 shares in 2018 and 2017, respectively) (Note 21)	**(2,356,555,826)**	(2,324,314,735)	(2,226,272,975)
	18,575,908,931	18,332,490,744	16,189,293,993
Noncontrolling Interests (Note 3)	**523,526,115**	458,644,651	512,829,051
Total Equity	**19,099,435,046**	18,791,135,395	16,702,123,044
TOTAL LIABILITIES AND EQUITY	**₱22,290,011,355**	₱22,346,196,323	₱21,482,124,015

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent (Note 21)											
							Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on FVOCI Investments (Notes 2 and 13)	Remeasurement on Retirement Benefits (Note 25)	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT JANUARY 1, 2016 (as previously reported)	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱187,917,388**	**₱686,254,240**	**₱34,992,585**	**₱6,300,000,000**	**₱4,487,779,074**	**(₱2,219,505,295)**	**₱13,556,695,015**	**₱378,225,614**	**₱13,934,920,629**
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	(676,476,718)	–	–	682,809,504	–	6,332,786	–	6,332,786
BALANCES AT JANUARY 1, 2016 (as restated)	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**187,917,388**	**9,777,522**	**34,992,585**	**6,300,000,000**	**5,170,588,578**	**(2,219,505,295)**	**13,563,027,801**	**378,225,614**	**13,941,253,415**
Net income (Note 2)	–	–	–	–	–	–	–	2,682,646,535	–	2,682,646,535	167,493,979	2,850,140,514
Other comprehensive income (Note 2)	–	–	–	192,326,863	1,963,049	2,616,080	–	–	–	196,905,992	–	196,905,992
Total comprehensive income for the year (Note 2)	–	–	–	192,326,863	1,963,049	2,616,080	–	2,682,646,535	–	2,879,552,527	167,493,979	3,047,046,506
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 21)	–	–	–	–	–	–	–	(246,518,655)	–	(246,518,655)	–	(246,518,655)
Shares repurchased during the year (Note 21)	–	–	–	–	–	–	–	–	(6,767,680)	(6,767,680)	–	(6,767,680)
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–	–	–	–	–	(32,890,542)	(32,890,542)
Appropriation during the year (Note 21)	–	–	–	–	–	–	850,000,000	(850,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2016	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱380,244,251**	**₱11,740,571**	**₱37,608,665**	**₱7,150,000,000**	**₱6,756,716,458**	**(₱2,226,272,975)**	**₱16,189,293,993**	**₱512,829,051**	**₱16,702,123,044**
BALANCES AT JANUARY 1, 2017 (as previously reported)	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱380,244,251**	**₱1,899,776,724**	**₱37,608,665**	**₱7,150,000,000**	**₱4,914,057,124**	**(₱2,226,272,975)**	**₱16,234,670,812**	**₱512,829,051**	**₱16,747,499,863**
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	(1,888,036,153)	–	–	1,842,659,334	–	(45,376,819)	–	(45,376,819)
BALANCES AT JANUARY 1, 2017 (as restated)	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**380,244,251**	**11,740,571**	**37,608,665**	**7,150,000,000**	**6,756,716,458**	**(2,226,272,975)**	**16,189,293,993**	**512,829,051**	**16,702,123,044**
Net income (Note 2)	–	–	–	–	–	–	–	2,547,458,719	–	2,547,458,719	40,907,864	2,588,366,583
Other comprehensive income (Note 2)	–	–	–	(84,661,930)	2,417,216	20,385,957	–	–	–	(61,858,757)	–	(61,858,757)
Total comprehensive income (loss) for the year (Note 2)	–	–	–	(84,661,930)	2,417,216	20,385,957	–	2,547,458,719	–	2,485,599,962	40,907,864	2,526,507,826
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱255.6 million (Note 21)	–	–	–	–	–	–	–	(244,361,451)	–	(244,361,451)	–	(244,361,451)
Shares repurchased during the year (Note 21)	–	–	–	–	–	–	–	–	(98,041,760)	(98,041,760)	–	(98,041,760)
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–	–	–	–	–	(95,092,264)	(95,092,264)
BALANCES AT DECEMBER 31, 2017	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱295,582,321**	**₱14,157,787**	**₱57,994,622**	**₱7,150,000,000**	**₱9,059,813,726**	**(₱2,324,314,735)**	**₱18,332,490,744**	**₱458,644,651**	**₱18,791,135,395**

(Forward)

	Equity Attributable to Equity Holders of the Parent (Note 21)											
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on FVOCI Investments (Notes 2 and 13)	Remeasurement on Retirement Benefits (Note 25)	Retained Earnings Appropriated	Retained Earnings Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT JANUARY 1, 2018 (as previously reported)	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱295,800,724**	**₱3,003,271,945**	**₱57,994,622**	**₱7,150,000,000**	**₱6,250,515,619**	**(₱2,324,314,735)**	**₱18,512,525,198**	**₱458,644,651**	**₱18,971,169,849**
Effect of adoption of new accounting standards (Note 2)	–	–	–	(218,403)	(2,989,114,158)	–	–	2,809,298,107	–	(180,034,454)	–	(180,034,454)
BALANCES AT JANUARY 1, 2018 (as restated)	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**295,582,321**	**14,157,787**	**57,994,622**	**7,150,000,000**	**9,059,813,726**	**(2,324,314,735)**	**18,332,490,744**	**458,644,651**	**18,791,135,395**
Net income	–	–	–	–	–	–	–	808,386,813	–	808,386,813	96,436,570	904,823,383
Other comprehensive income	–	–	–	89,930,454	(22,286,311)	(18,141,594)	–	–	–	49,502,549	–	49,502,549
Total comprehensive income (loss) for the year	–	–	–	89,930,454	(22,286,311)	(18,141,594)	–	808,386,813	–	857,889,362	96,436,570	954,325,932
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱641.4 million (Note 21)	–	–	–	–	–	–	–	(608,586,627)	–	(608,586,627)	–	(608,586,627)
Shares repurchased during the year (Note 21)	–	–	–	–	–	–	–	–	(32,241,091)	(32,241,091)	–	(32,241,091)
Disposal of subsidiary (Note 8)	–	–	26,356,543	–	–	–	–	–	–	26,356,543	–	26,356,543
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–	–	–	–	–	(31,555,106)	(31,555,106)
BALANCES AT DECEMBER 31, 2018	**₱2,500,000,000**	**₱1,605,613,566**	**₱–**	**₱385,512,775**	**(₱8,128,524)**	**₱39,853,028**	**₱7,150,000,000**	**₱9,259,613,912**	**(₱2,356,555,826)**	**₱18,575,908,931**	**₱523,526,115**	**₱19,099,435,046**

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(Forward)

	Years Ended December 31		
	2018	2017 (As restated – Note 2)	2016 (As restated – Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
FVOCI investments (Notes 2 and 13)	**₱102,546,014**	₱425,586,347	₱453,603,935
Property and equipment (Note 15)	**10,758,435**	4,279,888	1,780,000
Long-term investment	**9,200,000**	1,376,788,000	397,120,000
Additions to:			
FVOCI investments (Notes 2 and 13)	**(229,382,738)**	(674,863,214)	(125,583,109)
Property and equipment (Note 15)	**(156,220,277)**	(289,432,012)	(179,885,426)
Investment properties	**(1,583,339)**	–	–
Acquisition of associates (Note 14)	**(102,945,888)**	(91,256,250)	–
Movement in other noncurrent assets	**(44,680,957)**	(39,298,864)	(26,053,160)
Collection from (advances to) affiliates (Note 14)	**3,470,251**	(77,440,000)	(386,108)
Proceeds from redemption of preferred shares	**–**	12,301,027	–
Net cash flows from (used in) investing activities	**(408,838,499)**	646,664,922	520,596,132
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of notes payable (Note 18)	**450,000,000**	–	554,000,000
Payments of:			
Long-term debt (Note 20)	**(640,036,621)**	(838,534,464)	(635,755,735)
Dividends (Note 21)	**(575,312,404)**	(234,015,487)	(233,959,170)
Notes payable (Note 18)	**(200,000,000)**	(91,948,200)	(554,000,000)
Company shares purchased by a subsidiary (Note 21)	**(32,241,091)**	(98,041,760)	(6,767,680)
Redemption of preferred shares	**–**	(29,081,587)	(47,926)
Net cash flows used in financing activities	**(997,590,116)**	(1,291,621,498)	(876,530,511)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(492,443,437)**	850,535,491	625,362,030
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,423,835**	1,259,659	4,058,316
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,255,534,668**	2,403,739,518	1,774,319,172
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱2,765,515,066**	₱3,255,534,668	₱2,403,739,518

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses.

On July 17, 1979, the Philippine SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded.

The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issue by the Board of Directors (BOD) on February 21, 2019.

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

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

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

Changes in Accounting Policies
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2018. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

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

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

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

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

2017

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

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

2016

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

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

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

December 31, 2017

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

January 1, 2017

	Note	As previously reported	Adjustments	As restated
Assets				
FVPL investments	(a)	₱769,680,131	₱7,461,691,056	₱8,231,371,187
FVOCI investments - current	(a)	–	47,728,517	47,728,517
AFS investments - current	(a)	47,728,517	(47,728,517)	–
Total Current Assets		6,245,821,836	7,461,691,056	13,707,512,892
FVOCI investments - net of current portion	(a)	–	800,096,535	800,096,535
AFS investments - net of current portion	(a)	8,313,497,196	(8,313,497,196)	–
Total Noncurrent Assets		15,281,678,998	(7,507,067,875)	7,774,611,123
Total Assets		21,527,500,834	(45,376,819)	21,482,124,015
Equity				
Unrealized valuation gains on AFS investments	(a)	1,899,776,724	(1,899,776,724)	–
Unrealized valuation gains on FVOCI investments	(a)	–	11,740,571	11,740,571
Unappropriated retained earnings	(a), (c)	4,914,057,124	1,842,659,334	6,756,716,458
Total Equity		16,747,499,863	(45,376,819)	16,702,123,044

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

The nature of these adjustments are described below:

(a) Classification and measurement

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

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

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

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

- Cash, short-term investments, trade receivables, interest receivable, advances to employees, receivables from villa owners, dividend receivable, notes receivable and other receivables, which are previously classified as loans and receivables, are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost.

- Debt securities previously classified as AFS financial assets are now classified and measured as debt instruments at FVOCI. The Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group’s debt instruments are foreign currency-denominated bond securities that passed the SPPI test. As at December 31, 2017 and January 1, 2017, the carrying amount of FVOCI debt investments amounted to ₱684.5 million and ₱847.8 million, respectively.

- Quoted and unquoted equity shares previously classified as AFS financial assets are now classified and measured as financial assets at FVPL. As a result, the cumulative gains of ₱2,989.1 million and ₱1,888.0 million that were previously presented under unrealized valuation gains on AFS investments as at December 31, 2017 and January 1, 2017, respectively, were reclassified to retained earnings. Impairment losses on AFS equity investments amounting ₱42.6 million and ₱590.9 million that were previously presented under valuation allowances on AFS investments in 2017 and 2016, respectively, were reclassified to loss on decrease in market values of FVPL investments.

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

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

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

As at December 31, 2017

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

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

As at January 1, 2017

		PFRS 9 measurement category		
	As previously reported	**Financial Assets at FVPL**	**Amortized Cost**	**Financial Assets at FVOCI**
PAS 39 measurement category				
Loans and receivables:				
Cash and short-term investments	₱2,474,239,518	₱–	₱2,474,239,518	₱–
Receivables	2,027,489,952	–	2,027,489,952	–
FVPL investments:				–
Bonds	744,616,051	744,616,051	–	–
Funds and equities	3,345,600	3,345,600	–	–
Others	21,718,480	21,718,480	–	–
AFS investments:				–
Quoted equity shares	5,671,746,053	5,671,746,053	–	–
Unquoted equity shares	1,097,757,074	1,097,757,074	–	–
Unquoted equity shares at cost*	305,216,162	253,506,557	–	–
Bonds	847,825,052	–	–	847,825,052
Funds and equities	254,471,051	254,471,051	–	–
Proprietary shares	184,210,321	184,210,321	–	–
	₱13,632,635,314	**₱8,231,371,187**	**₱4,501,729,470**	**₱847,825,052**

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

(b) Impairment

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

(c) Other adjustments

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

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

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

  With the adoption of PFRS 15, the Group reclassified "Refundable deposits" and a portion of "Trade payables" under "Accounts payable and accrued expenses" amounting to ₱241.9 million and ₱191.4 million as of December 31, 2018 and 2017, respectively, to "Contract liabilities" account in the consolidated balance sheets. Aside from the reclassification of advances from customers, there are no other changes in the Group's revenue processes, and policies and procedures. In addition, there are no significant judgments and estimates involved in the Group's revenues from contracts with customers (i.e., sale of goods and services) since the performance obligations are easily identifiable and there are no variable considerations that should be considered in determining the transaction price. Accordingly based on management's assessment, the adoption of PFRS 15, has no significant impact on the Group's consolidated financial statements.

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

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

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

New Accounting Standards, Interpretations and Amendments
<u>to Existing Standards Effective Subsequent to December 31, 2018</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

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

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

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

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

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

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

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

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

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

  The interpretation specifically addresses the following:

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

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

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

- Annual Improvements to PFRSs 2015-2017 Cycl*e*

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

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

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

		Percentage of Ownership		
	Nature of Business	**2018**	2017	2016
A. Soriano Air Corporation (Note 31)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	**62**	62	62
Island Aviation, Inc. (IAI, Note 31)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	**100**	100	100
Anscor Holdings, Inc. (AHI, formerly Goldenhall Corporation, Note 31)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100	100
Lakeroad Corporation	Real Estate Holding	**100**	100	100
Mainroad Corporation	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100	100
Mountainridge Corporation	Real Estate Holding	**100**	100	100
Rollingview Corporation	Real Estate Holding	**100**	100	100
Timbercrest Corporation	Real Estate Holding	**100**	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 7 and 31)	Investment Holding	**100**	100	100
Minuet Realty Corporation (Minuet, Note 7)	Landholding	**100**	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 7 and 31)	Wire Manufacturing	**100**	100	100
PD Energy International Corporation (PDEIC, Note 7)	Wire Manufacturing	**100**	100	100
Sutton Place Holdings, Inc. (Sutton)	Investment Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Notes 8 and 31)	Manpower Services	**–**	93	93
Anscor International, Inc. (AI, Note 14)	Investment Holding	**100**	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	**100**	100	100
IQ Healthcare Professional Connection, LLC (IQHPC, Note 31)	Manpower Services	**93**	93	93
Cirrus Medical Staffing, Inc. (Cirrus, Notes 8 and 31)	Manpower Services	**–**	–	94
Cirrus Holdings USA, LLC (Cirrus LLC, Notes 8 and 31)	Manpower Services	**–**	–	94
Cirrus Allied, LLC (Cirrus Allied, Notes 8 and 31)	Manpower Services	**–**	–	94
NurseTogether, LLC (NT, Note 8)	Online Community Management	**–**	–	94
AFC Agribusiness Corporation (AAC, Note 16)	Real Estate Holding	**81**	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 7 and 31)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Notes 7 and 31)	Resort Operations	**62**	62	62
Summerside Corp. (Summerside)*	Investment Holding	**40**	40	40

**As at December 31, 2018 and 2017, the Group has 100% beneficial ownership over Summerside.*

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

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

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

	2018	2017
Balance Sheets:		
Current assets	**₱731.6**	₱512.8
Noncurrent assets	**975.1**	1,013.4
Current liabilities	**414.3**	364.7
Noncurrent liabilities	**149.7**	154.2
Equity	**1,142.7**	1,007.3
Equity attributable to NCI	**430.8**	379.8

	2018	2017
Statements of Comprehensive Income:		
Revenue	**₱1,105.9**	₱874.6
Income from continuing operations, before tax	**283.5**	128.2
Net income	**235.3**	100.5
Other comprehensive income (loss)	**4.2**	(4.7)
Total comprehensive income	**239.5**	95.8
Total comprehensive income allocated to NCI during the year	**90.3**	36.1

	2018	2017
Statements of Cash Flows:		
Cash flows from operations	**₱389.6**	₱149.8
Cash flows used in investing activities	**(66.8)**	(123.0)
Cash flows used in financing activities	**(94.8)**	(127.3)

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity reserve on acquisition of noncontrolling interest" in the consolidated balance sheet as at December 31, 2017 and was derecognized upon the sale of CGI (see Note 8).

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

Investments in Associates

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

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

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

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

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

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

In 2016, AI converted its notes receivable from Prople Limited and BM to equity. The conversion and additional investment increased AI's shareholdings, making Prople Limited and BM associates of the Group (see Note 14).

In 2017, Anscor purchased additional shares in AIMP which resulted to an increase in ownership allowing the Group to exercise significant influence over the investee (see Note 14).

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

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized in the consolidated profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

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

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

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

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

determined. Foreign exchange gains and losses relating to FVPL equity instruments are recognized in the consolidated profit or loss.

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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

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

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

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

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

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

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

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

As at December 31, 2018 and 2017, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

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

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

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

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

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

Derivatives recorded at FVPL
The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as at December 31, 2018 and 2017.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options, among others.

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

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

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

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

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

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

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

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

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

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

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

(c) Financial assets at FVOCI (debt instruments)

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

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

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

When the debt instrument is disposed of, the cumulative gain or loss previously recognized under OCI is transferred to profit or loss as "Gain (loss) on sale of FVOCI investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding FVOCI investments are reported as interest income using the effective interest rate.

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

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

(d) Financial liabilities - loans and borrowings

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

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

As at December 31, 2018 and 2017, included in this category are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime

ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

"Day 1" Difference

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

Offsetting Financial Instruments

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

Revenue from Contracts with Customers

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

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

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

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

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

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

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

Revenue from temporary staffing is recognized when services are rendered.

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

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

Revenue from air transport services is recognized at a point in time when the related services has been substantially performed.

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

<u>Other Income</u>
Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

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

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

Costs and Expenses

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

Cost of goods sold

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

Cost of services rendered

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

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

Cost of real estate sold

The cost of real estate sold includes the acquisition cost of the land and development cost incurred in the construction of the villas.

Selling, general and administrative expenses

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

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Cash and Cash Equivalents

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

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

Inventories

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

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

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

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

Prepayments

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

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

Property and Equipment

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

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

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

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

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

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

**or lease term, whichever is shorter*

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

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

Contract Balances

Trade receivables

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

Contract liabilities

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

Other Noncurrent Assets and Other Noncurrent Liabilities

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

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

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects of retrospective restatement recognized in accordance with the PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

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

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

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

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 profit or loss on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

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

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

the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

Income Taxes

Current income tax

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

Deferred income tax

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

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

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

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

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

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated profit or loss.

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

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

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

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

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

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

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income, net income from continuing operations and the total comprehensive income attributable to the equity holders of the Parent for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2018, 2017 and 2016.

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

4. **Significant Accounting Judgments, Estimates and Assumptions**

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

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

Judgments

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

Determination of functional currency

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

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets (see Note 30).

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

Operating lease commitments - the Group as Lessee

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

Determination of absence of significant influence over Enderun

Prior to 2017, the Company determined that it has no significant influence over Enderun. Management assessed that it did not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun was classified as an FVPL investment as at December 31, 2016 (see Note 2). In 2017, Anscor sold all of its shares in Enderun (see Note 10).

Assessment of control over the entities for consolidation

The Group has wholly owned, majority and minority-owned subsidiaries discussed in Note 3. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

Estimates and Assumptions

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

Provision for expected credit losses of receivables

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

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

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

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. These reserves are re-evaluated and adjusted as additional information is received.

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

Valuation of unquoted FVPL equity investments

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

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

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

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

Impairment of FVOCI debt investments
For FVOCI debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instrument has increased significantly since initial recognition. The Group did not recognize impairment loss in 2018 and 2016. Impairment loss recognized in 2017 amounted to ₱82.9 million (see Note 24). The carrying value of FVOCI debt investments amounted to ₱694.3 million and ₱684.5 million as at December 31, 2018 and 2017, respectively (see Note 13).

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

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

Estimation of useful lives of the Group's property and equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2018 and 2017, the carrying value of property and equipment amounted to ₱2,560.8 million and ₱2,668.2 million, respectively (see Note 15).

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

The carrying amounts of the investments amounted to ₱1,581.0 million and ₱1,570.1 million as at December 31, 2018 and 2017, respectively (see Note 14).

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

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

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

As at December 31, 2018 and 2017, the carrying value of property and equipment and investment properties amounted to ₱2,798.9 million and ₱2,904.7 million, respectively (see Notes 15 and 16).

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

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units. In 2017, the Group sold its investment in Cirrus including goodwill allocated to Cirrus (see Note 8).

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

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As at December 31, 2018 and 2017, the Group recognized deferred income tax assets amounting to ₱84.6 million and ₱75.2 million, respectively (see Note 26).

Determination of pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as at December 31, 2018 and 2017 amounted to ₱65.4 million and ₱93.7 million, respectively. Net retirement benefits payable as at December 31, 2018 and 2017 amounted to ₱12.9 million and ₱9.2 million, respectively. Further details are provided in Note 25.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 25.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 33, respectively.

5. Revenue from Contracts with Customers

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

	For the year ended December 31, 2018			
	Cable and Wire Manufacturing	**Resort Operations and Villa Development**	**Other Operations***	**Total**
Category				
Type of goods or service:				
Goods	**₱8,292,508,630**	**₱–**	**₱–**	**₱8,292,508,630**
Services	**–**	**1,100,825,407**	**213,879,440**	**1,314,704,847**
Total revenue from contracts with customers	**₱8,292,508,630**	**₱1,100,825,407**	**₱213,879,440**	**₱9,607,213,477**
Timing of revenue recognition:				
At a point in time	**₱8,292,508,630**	**₱556,054,029**	**₱213,879,440**	**₱9,062,442,099**
Over time	**–**	**544,771,378**	**–**	**544,771,378**
Total revenue from contracts with customers	**₱8,292,508,630**	**₱1,100,825,407**	**₱213,879,440**	**₱9,607,213,477**

"Other Operations" include ASAC, AHI, and Sutton. Financial performance of CGI is included up to the date of disposal.

	For the year ended December 31, 2017			
	Cable and Wire Manufacturing	Resort Operations and Villa Development	Other Operations*	Total
Category				
Type of goods or service:				
Goods	₱7,188,994,574	₱–	₱–	₱7,188,994,574
Services	–	861,146,448	198,649,756	1,059,796,204
Total revenue from contracts with customers	₱7,188,994,574	₱861,146,448	₱198,649,756	₱8,248,790,778
Timing of revenue recognition:				
At a point in time	₱7,188,994,574	₱432,060,790	₱198,649,756	₱7,819,705,120
Over time	–	429,085,658	–	429,085,658
Total revenue from contracts with customers	₱7,188,994,574	₱861,146,448	₱198,649,756	₱8,248,790,778

"Other Operations" include ASAC, AHI, and Sutton.

	For the year ended December 31, 2016			
	Cable and Wire Manufacturing	Resort Operations and Villa Development	Other Operations*	Total
Category				
Type of goods or service:				
Goods	₱6,608,154,597	₱–	₱–	₱6,608,154,597
Services	–	688,165,664	222,813,568	910,979,232
Real estate	–	633,912,337	–	633,912,337
Total revenue from contracts with customers	₱6,608,154,597	₱1,322,078,001	₱222,813,568	₱8,153,046,166

"Other Operations" include ASAC, AHI, APHI and Sutton.

	For the year ended December 31, 2016			
	Cable and Wire Manufacturing	Resort Operations and Villa Development	Other Operations*	Total
Timing of revenue recognition:				
At a point in time	₱6,608,154,597	₱967,500,748	₱222,813,568	₱7,798,468,913
Overtime	–	354,577,253	–	354,577,253
Total revenue from contracts with customers	₱6,608,154,597	₱1,322,078,001	₱222,813,568	₱8,153,046,166

* *"Other Operations" include ASAC, AHI, APHI and Sutton.*

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

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

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

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

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

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

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

6. Segment Information

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

Holding company segment pertains to the operations of the Company.

Nurse/PT staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States. On October 19, 2017, the Group sold its interest in Cirrus which serves as the Nurse/PT staffing segment of the Group (see Note 8).

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

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

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

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

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

	Before Eliminations						
	Holding Company (Parent)	**Resort Operations and Villa Development**	**Cable and Wire Manufacturing**	**Other Operations[1]**	**Total**	**Eliminations**	**Consolidated**
As of and for the year ended December 31, 2018							
Revenues, excluding interest income[2]	**₱1,334,003**	**₱1,100,825**	**₱8,292,509**	**₱902,925**	**₱11,630,262**	**(₱1,983,455)**	**₱9,646,807**
Interest income	**103,635**	**3,475**	**1,242**	**1,164**	**109,516**	**–**	**109,516**
Investment gains	**475,201**	**–**	**408**	**(217,002)**	**258,607**	**(233,926)**	**24,681**
Interest expense	**39,744**	**–**	**29,938**	**3,226**	**72,908**	**–**	**72,908**
Income tax expense	**50,976**	**48,287**	**246,503**	**9,080**	**354,846**	**(7,627)**	**347,219**
Equity in net losses - net of valuation allowance	**–**	**–**	**–**	**(262,184)**	**(262,184)**	**–**	**(262,184)**
Net income	**773,025**	**235,253**	**636,442**	**533,770**	**2,178,490**	**(1,273,667)**	**904,823**
Total assets	**18,057,699**	**1,706,722**	**4,320,601**	**12,581,118**	**36,666,140**	**(14,376,129)**	**22,290,011**
Investments and advances	**7,190,993**	**69,195**	**–**	**2,483,424**	**9,743,612**	**(8,161,768)**	**1,581,844**
Property and equipment	**15,984**	**778,153**	**616,372**	**68,962**	**1,479,471**	**1,081,359**	**2,560,830**
Total liabilities	**1,030,541**	**563,953**	**1,258,638**	**2,791,694**	**5,644,826**	**(2,454,250)**	**3,190,576**
Depreciation and amortization	**9,319**	**101,274**	**(74,118)**	**43,972**	**80,447**	**172,373**	**252,820**
Impairment loss	**–**	**(7,358)**	**15,257**	**1,498**	**9,397**	**–**	**9,397**
Cash flows from (used in):							
Operating activities	**638,385**	**389,597**	**332,922**	**50,258**	**1,411,162**	**(497,177)**	**913,985**
Investing activities	**(127,360)**	**(66,806)**	**(61,244)**	**645,555**	**390,145**	**(798,983)**	**(408,838)**
Financing activities	**(1,054,270)**	**(94,746)**	**(151,429)**	**(624,515)**	**(1,924,960)**	**927,370**	**(997,590)**

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

	Before Eliminations (As restated – Note 2)							
	Nurse/PT Staffing Company[4]	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total	Eliminations[3]	Consolidated
As of and for the year ended December 31, 2017								
Revenues, excluding interest income[2]	₱2,028,265	₱831,590	₱861,146	₱7,188,995	₱616,609	₱11,526,605	(₱3,504,226)	₱8,022,379
Interest income	1	87,909	3,529	2,297	5,841	99,577	(700)	98,877
Investment gains	–	1,541,972	–	5,121	857,668	2,404,761	58,540	2,463,301
Interest expense	5,386	45,912	–	36,042	3,184	90,524	(5,386)	85,138
Income tax expense (benefit)	(5,073)	10,169	27,681	213,072	10,486	256,335	(2,899)	253,436
Equity in net losses - net of valuation allowance	–	–	–	–	(497,099)	(497,099)	–	(497,099)
Net income (loss)	(47,637)	2,173,508	100,523	546,008	570,393	3,342,795	(706,791)	2,636,004
Total assets	–	18,928,517	1,526,424	3,824,469	12,838,128	37,117,538	(14,771,342)	22,346,196
Investments and advances	–	7,069,111	60,706	–	2,349,032	9,478,849	(7,827,009)	1,651,840
Property and equipment	–	21,152	812,752	626,908	99,367	1,560,179	1,108,010	2,668,189
Total liabilities	–	1,384,736	519,125	1,150,106	2,631,923	5,685,890	(2,130,829)	3,555,061
Depreciation and amortization	2,328	8,838	66,299	75,188	41,484	194,137	55,624	249,761
Impairment loss	111,599	82,906	4,662	9,506	3,737	212,410	(112,209)	100,201

(Forward)

	Before Eliminations (As restated – Note 2)							
	Nurse/PT Staffing Company[4]	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total	Eliminations[3]	Consolidated
Cash flows from (used in):								
Operating activities	₱206,562	₱828,471	₱197,556	₱313,737	₱166,200	₱1,712,526	(₱217,034)	₱1,495,492
Investing activities	(3,637)	828,893	(111,939)	(145,832)	(57,715)	509,770	136,895	646,665
Financing activities	(161,618)	(799,688)	(186,114)	(511,429)	9,577	(1,649,272)	357,651	(1,291,621)

[1] *"Other Operations" include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net losses of associates - net of valuation allowance.*
[2] *Except for the Nurse/PT Staffing Company operating in US, all revenues of the Group were derived from Philippines.*
[3] *Including operating results from discontinued operations.*
[4] *Sold on October 19, 2017. Financial performance shown is up to the date of disposal.*

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

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

7. Business Combinations

a. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. As at December 31, 2018 and 2017, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

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

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

b. Impairment Testing of Goodwill

i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2018 and 2017 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2018 and 2017 are 17.4% and 18.3%, respectively.

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

Growth rate
PDP Group assumed a growth rate of 0.4% to 2.3% in 2018 and 1.0% to 5.0% in 2017. Management used the average industry growth rate for the forecast.

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

ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2018 and 2017 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2018 and 2017 are 14.5% and 12.8%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 6.5% in 2018 and 2017 and the difference between the discount rate and growth rate.

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

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

8. **Deconsolidated Subsidiaries**

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

Total gain on disposal of Cirrus recognized in the 2017 consolidated profit or loss amounted to ₱1,097.9 million.

Cirrus serves as the Nurse/PT staffing segment of the Group and is a separate reportable operating segment (see Note 6).

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

	Period Ended October 19, 2017	Year Ended December 31, 2016
Revenues	₱2,021,126	₱2,574,258
Cost of services	(1,569,503)	(2,026,219)
Gross profit	451,623	548,039
Expenses	(504,333)	(254,399)
Income (loss) before income tax	(52,710)	293,640
Provision for (benefit from) income tax	(5,073)	108,724
Net income (loss) from a deconsolidated subsidiary	(₱47,637)	₱184,916
Earnings (Loss) Per Share		
Basic/diluted, for net income (loss) attributable to equity holders of the Parent from a deconsolidated subsidiary	(₱0.04)	₱0.14

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

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

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

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

9. Cash and Cash Equivalents

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

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

10. **FVPL Investments**

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

This account consists of investments that are designated as FVPL and held-for-trading investments. Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2018 and 2017 which are assessed to be the exit prices.

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

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

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

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

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

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

a. KSA Realty Corporation (KSA)

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

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

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

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

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

On July 13, 2018, the Company invested US$5.0 million (₱267.7 million) in Macquarie, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. (Grab). Grab is a Singapore-based technology company that offers ride-hailing transport services, food delivery and payment solutions through GrabTaxi, Grab Food and GrabPay.

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

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

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

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

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

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

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

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

d. Madaket, Inc. (Madaket)

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

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

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

e. Element Data, Inc. (Element Data)

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

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

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

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

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

f. Navegar I L.P. (Navegar)

In March 2013, AI invested US$0.6 million (₱26.4 million) in Navegar, a limited partnership established to acquire substantial minority position through privately negotiated investments in equity and equity-related securities of Philippine companies that are seeking growth capital and/or expansion capital.

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

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

In 2018 and 2017, AI recognized fair market value adjustment in its investment in Navegar amounting to a loss of ₱20.2 million and a gain of ₱12.6 million, respectively.

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

g. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, AI entered into an equity investment agreement with Sierra Madre, a newly formed private equity fund staffed by experienced local operators and private equity professionals. The fund will focus on providing growth capital to small and mid-sized Philippine companies.

In 2018, AI made additional investments to Sierra Madre amounting to US$1.0 million (₱50.4 million).

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

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

h. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The fair value of the investment in Enderun amounted to ₱286.2 million as at December 31, 2016.

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

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

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

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

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

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

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

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

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

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

	Unrealized Valuation Gains (Losses) in Market Value as at December 31		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2016 (As restated – Note 2)
	2016 (As restated – Note 2)	2015 (As restated)*	
Quoted equity shares	₱1,218.7	(₱3.1)	₱1,221.8
Unquoted equity shares	457.8	509.5	(51.7)
Bonds	(22.2)	(43.8)	21.6
Funds and equities	(15.8)	(11.4)	(4.4)
Proprietary shares	170.1	174.6	(4.5)
Others	60.5	57.8	2.7
Total	1869.1	683.6	1,185.5
Add realized loss on sale of FVPL investments			(46.3)
Net gain on decrease in market value of FVPL investments			₱1,139.2

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

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

11. **Receivables**

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

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

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

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

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

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

	2018		
	Trade	**Interest and Others**	**Total**
At January 1	**₱57,974,044**	**₱2,424,253**	**₱60,398,297**
Provision for the year (Note 24)	**15,430,275**	–	**15,430,275**
Write-off	**(14,716)**	–	**(14,716)**
Recovery (Note 24)	**(2,571,186)**	–	**(2,571,186)**
At December 31	**₱70,818,417**	**₱2,424,253**	**₱73,242,670**

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

12. **Inventories**

	2018	2017
At cost:		
Raw materials	**₱141,218,087**	₱96,975,868
Materials in transit	**32,862,852**	15,868,813
Food and beverage	**13,588,467**	13,367,144
Aircraft parts in transit	**8,694,321**	8,636,559
Reel inventory	**5,661,835**	4,176,818
	202,025,562	139,025,202
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱23.8 million in 2018 and ₱22.0 million in 2017	**420,997,799**	288,445,978
Work in process - net of allowance for inventory obsolescence of ₱9.0 million in 2018 and ₱10.7 million in 2017	**147,536,989**	160,067,404
Raw materials - net of allowance for inventory obsolescence of ₱2.9 million in 2018 and ₱2.6 million in 2017	**117,336,643**	89,390,888
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱37.1 million in 2018 and ₱36.4 million in 2017	**98,295,809**	106,947,233
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱8.6 million in 2018 and ₱7.2 million in 2017	**43,662,471**	28,097,694
Construction-related materials - net of allowance for inventory obsolescence of ₱0.6 million in 2018 and ₱5.6 million in 2017	**605,556**	5,385,704
	828,435,267	678,334,901
	₱1,030,460,829	₱817,360,103

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

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2018 and 2017.

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

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

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

13. FVOCI Investments

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

FVOCI investments in bonds represent the following:

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

b. Geothermal Project

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

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

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

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

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

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

14. **Investments and Advances**

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

Investments at equity consist of:

	2018	2017
Acquisition cost:		
Common shares	**₱2,549,574,872**	₱309,200,939
Preferred shares	**6,448,973**	2,066,437,018
Total	**2,556,023,845**	2,375,637,957
Accumulated equity in net losses - net of valuation allowance	**(1,316,790,931)**	(1,054,606,791)
Effect of foreign exchange differences	**341,787,850**	249,075,000
	₱1,581,020,764	₱1,570,106,166

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

AGP Group Holdings Pte. Ltd. (AG&P) (formerly AGP International Holdings Ltd., AGPI)
In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note.

The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

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

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

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

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

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

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

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

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

AIMP

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

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

On December 22, 2017, AIMP redeemed the 12,300,000 preferred shares held by the Company for ₱15.6 million, inclusive of dividends accumulating to the Company amounting to ₱3.3 million.

As at December 31, 2018 and 2017, the carrying value of the investment in AIMP amounted to ₱124.6 million and ₱119.4 million, respectively.

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

FHI

On November 22, 2017, the Company and a stockholder of FHI, entered into a conditional deed of sale for the Company's purchase of 12.75% stake in FHI. The Company made an advance payment of ₱77.4 million for the said transaction.

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

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

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

BM

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

In July 2015, AI made an additional investment of US$0.5 million (₱22.5 million). In March 2016, AI invested an additional US$0.437 million (₱20.5 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US$0.814 million (₱39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

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

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

Prople Limited

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

In February 2016, AI converted the notes to equity, giving AI a 32% equity stake and a significant influence over Prople Limited.

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

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

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

15. **Property and Equipment**

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

	2017					
	Land, Buildings and Improvements	Flight Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱2,666,305,570	₱853,239,755	₱438,201,026	₱183,866,266	₱37,517,163	₱4,179,129,780
Additions	21,210,943	23,562,066	67,288,333	28,124,048	149,246,622	289,432,012
Reclassification	11,514,697	145,100,011	1,127,646	9,729,729	(167,472,083)	–
Retirement/disposals	(10,744,379)	–	(36,657,135)	(13,360,972)	–	(60,762,486)
December 31	2,688,286,831	1,021,901,832	469,959,870	208,359,071	19,291,702	4,407,799,306
Accumulated Depreciation and Amortization						
January 1	695,524,285	403,883,303	308,722,871	122,268,282	–	1,530,398,741
Depreciation and amortization	80,392,277	106,259,575	42,730,011	22,707,069	–	252,088,932
Retirement/disposals	(10,060,411)	–	(21,756,403)	(11,060,352)	–	(42,877,166)
December 31	765,856,151	510,142,878	329,696,479	133,914,999	–	1,739,610,507
Net Book Value	₱1,922,430,680	₱511,758,954	₱140,263,391	₱74,444,072	₱19,291,702	₱2,668,188,799

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of constructing and assembling machineries and equipment.

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

16. **Investment Properties**

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

The Group's investment properties include 144.4 hectares of land in Palawan, 36.9 hectares of land in Cebu, and 97.4 hectares of land in Guimaras.

In 2016, the Group sold its investment property in Cebu to a third-party buyer through the sale of 100% of outstanding shares of stock of Uptown Kamputhaw Holdings, Inc., formerly APHI. Gain on sale of the investment amounted to ₱343.2 million, net of commission expense of ₱17.7 million.

Based on the valuation performed by professionally qualified, accredited and independent appraisers as at November and December 2017, the aggregate fair market values of investment properties amounted to ₱960.4 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are either for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform (DAR) rules, AAC has to complete the development on the Guimaras land by September 2018. On November 11, 2018, DAR approve the Group's request for extension to develop the property within a non-extendible period of five years from the receipt of order. The notice of order was received by the Group on December 7, 2018.

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

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

17. Other Noncurrent Assets and Other Noncurrent Liabilities

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

Deposits to suppliers include advances to suppliers for the maintenance of IAI's aircraft, for the acquisition of specific property and equipment and for the total cost of fuel tanks and pipelines funded initially by the subsidiary but will be recovered from the supplier over the supply contract period agreed upon by the parties.

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 31).

Other noncurrent liabilities amounted to ₱143.4 million and ₱170.1 million as at December 31, 2018 and 2017, respectively, which include the related liability for the fund asset of PRI recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

18. Notes Payable

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

Details of the Group’s short-term borrowing transactions are as follows:

a. Cirrus obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the U.S., with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as at December 31, 2016 amounted to US$1.8 million (₱91.9 million).

b. PDP availed of loans from a local bank totaling to ₱450.0 million in 2018. Terms of the loans is 32 to 58 days with rates ranging from 3.5% to 5.7%. As at December 31, 2018, loans payable outstanding amounted to ₱250.0 million.

c. The Group’s unavailed loan credit line from banks amounted to ₱2,915.0 million and ₱3,075.0 million as at December 31, 2018 and 2017, respectively.

d. Total interest expense from these loans recognized in the consolidated profit or loss amounted to ₱2.3 million, nil and ₱2.0 million in 2018, 2017 and 2016, respectively (see Note 24).

19. Accounts Payable and Accrued Expenses

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

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

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

Accrued expenses include unpaid operating costs of the Group and bonus to a key officer related to the sale of Cirrus, among others.

Payable to contractors are amount due to suppliers for ongoing and completed construction projects.

20. **Long-term Debt**

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

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

a. On June 24, 2013, the Company obtained a loan amounting to US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AGPI. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱1,185.1 million and ₱2,327.8 million as at December 31, 2018 and 2017, respectively. A portion of the pledged shares is expected to be released in 2019 (see Note 10). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As at December 31, 2018 and 2017, the Company is in compliance with the debt covenants.

b. In 2015, PDP Energy obtained a long-term loan to partially fund the ₱1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to ₱1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

   PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks except for working capital requirement; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2018 and 2017, PDP Energy is in compliance with the debt covenants.

   In addition, the long-term loan is secured by the following collaterals, among others:
   - Real estate mortgage over the land owned by Minuet;
   - Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;
   - Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
   - Assignment of leasehold rentals of the properties located in PDP Energy's premises.

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

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

c. In 2014, IAI converted the short-term loan amounting to US$1.1 million (₱47.0 million) to long-term loan. The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

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

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

Total interest expense recognized in the consolidated profit or loss amounted to ₱70.5 million, ₱84.8 million and ₱104.7 million 2018, 2017 and 2016, respectively (see Note 24).

21. Equity

Equity holders of the Parent

Capital stock as at December 31, 2018 and 2017 consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱3,464,310,958
Issued	2,500,000,000	₱2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as at December 31, 2018 and 2017 totaled 1,211,911,354 and 1,217,173,254, respectively. The Company's number of equity holders as at December 31, 2018 and 2017 is 11,131 and 11,175, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.00 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the Philippine SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2018, 2017 and 2016, the Company declared the following cash dividends:

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

As at December 31, 2018 and 2017, the Company's dividends payable amounted to ₱285.8 million and ₱252.6 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2018 and 2017 due to problematic addresses of some of the Company's stockholders.

The Company's BOD approved the following appropriation of the Company's unrestricted retained earnings:

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

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing, manpower services, education and manufacturing, whether based in the Philippines or offshore.

Appropriations in 2011 and 2013 were extended in 2017. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively.

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

- Balance of gross deferred income tax assets amounting ₱80.0 million and ₱74.1 million as at December 31, 2018 and 2017, respectively.
- Shares in the undistributed retained earnings of subsidiaries amounting to ₱3.5 billion and ₱2.8 billion as at December 31, 2018 and 2017, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary
As at December 31, 2018 and 2017, Anscorcon holds 1,288,088,646 shares and 1,282,826,746 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱32.2 million (5,261,900 shares) and ₱98.0 million (15,420,000 shares) in 2018 and 2017, respectively.

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

Cost of goods sold consists of:

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

Cost of services rendered consists of:

	2018	2017	2016
Resort operating costs	**₱146,884,223**	₱133,218,885	₱101,640,624
Salaries, wages and employee benefits (Note 23)	**72,475,563**	63,117,105	25,428,971
Fuel cost	**44,173,953**	38,697,088	26,581,852
Transportation and travel	**38,946,171**	16,521,018	3,542,385
Depreciation and amortization (Note 15)	**37,966,471**	36,007,747	27,405,992
Repairs and maintenance	**31,336,351**	31,669,833	24,344,528
Materials and supplies - resort operations	**29,910,544**	33,887,885	29,936,594
Commissions	**17,201,564**	14,433,118	12,422,708
Insurance	**4,887,652**	4,735,964	4,204,553
Outside services	**1,383,256**	1,362,504	1,185,373
Variable nurse costs	**1,122,567**	4,301,692	7,748,434
Others	**11,219,874**	18,018,531	21,917,953
	₱437,508,189	₱395,971,370	₱286,359,967

Operating expenses consist of:

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

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

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

23. Personnel Expenses

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

In 2018, 2017 and 2016, the Company declared and paid bonuses to its executive officers amounting to ₱51.8 million, ₱48.7 million and ₱41.3 million, respectively.

Annual bonus of no more than 3.0% of the preceding year's net income is given to executive officers as approved in 2004.

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

Interest income consists of:

	2018	2017	2016
Debt instruments (Notes 10 and 13)	**₱75,378,770**	₱78,484,323	₱79,517,862
Cash and cash equivalents (Note 9)	**26,825,911**	13,674,413	3,756,039
Funds and equities	**–**	1,926,566	3,326,334
Others	**7,311,466**	4,792,053	6,955,209
	₱109,516,147	₱98,877,355	₱93,555,444

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

Interest expense consists of:

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

Other income (charges) consists of:

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

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

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

25. Pension

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group’s plan assets and investments as at December 31, 2018 and 2017 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.5% to 10.1% in 2018 and from 2.1% to 7.9% in 2017 and have maturities from October 16, 2019 to July 19, 2031 in 2018 and from May 23, 2018 to December 7, 2026 in 2017.

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 3.4% to 5.8% in 2018 and 0.2% to 8.0% in 2017 and have maturities from January 8, 2019 to July 3, 2027 in 2018 and from January 3, 2018 to July 19, 2031 in 2017; and

d. Investments in equity securities, which consist of actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As at December 31, 2018 and 2017, the Company’s defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱43.1 million and ₱46.8 million, respectively. All of the fund’s investing decisions are made by the BOT of the pension plans. The retirement benefit fund’s total losses and gains arising from the changes in market prices amounted to ₱2.4 million and ₱4.7 million in 2018 and 2017, respectively.

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

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

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

Changes in net retirement plan asset are as follows:

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

Changes in net retirement benefits payable are as follows:

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

Computation of net retirement plan assets (liabilities):

2018

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

2017

	Net Retirement Plan Assets	Net Retirement Liabilities	Total
Present value of defined benefit obligation	(₱337,512,482)	(₱48,917,890)	(₱386,430,372)
Fair value of plan assets	459,480,261	39,733,816	499,214,077
Surplus (deficit)	121,967,779	(9,184,074)	112,783,705
Effect of the asset ceiling	(28,261,095)	–	(28,261,095)
Retirement plan assets (liabilities)	₱93,706,684	(₱9,184,074)	₱84,522,610

Changes in the present value of defined benefit obligation:

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

Changes in the fair value of plan assets:

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

Changes in the effect of asset ceiling:

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

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

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

The financial instruments with quoted prices in active market amounted to ₱323.9 million and ₱346.2 million as at December 31, 2018 and 2017, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Company, PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

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

2017	Change in Rates	Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rates	-3.60% to -4.00%	₱13,017,482
	+3.20% to +3.70%	(11,807,861)
Future salary increases	+2.60% to +7.30%	₱12,584,029
	-2.40% to -6.30%	(11,238,844)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries except PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2018	**Change in Rates**	**Effect on Present Value of Defined Benefit Obligation Increase (Decrease)**
Discount rates	**-3.00% to -12.70%**	**₱2,322,204**
	+3.20% to +10.90%	**(2,081,832)**
Future salary increases	**+3.20% to +11.70%**	**₱2,382,590**
	-3.10% to -10.30%	**(2,168,864)**

2017	Change in Rates	Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rates	-3.80% to -8.30%	₱3,343,818
	+3.60% to +10.90%	(2,935,521)
Future salary increases	+2.80% to +11.70%	₱2,910,634
	-2.70% to -10.30%	(2,615,653)

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

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

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

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

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

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

26. **Income Taxes**

The provision for income tax consists of:

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

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

	2018		2017 (As restated – Note 2)	
	Net Deferred Income Tax Assets[1]	**Net Deferred Income Tax Liabilities**[2]	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax Liabilities[2]
Recognized in the consolidated profit or loss:				
Deferred income tax assets on:				
Allowance for expected credit losses	**₱21,972,801**	**₱–**	₱18,119,489	₱–
Allowance for inventory losses	**22,818,454**	**–**	22,019,349	–
Accrued expenses	**17,873,559**	**–**	17,387,533	–
Unamortized past service cost	**2,240,814**	**1,158,466**	2,241,396	1,390,161
Unrealized foreign exchange loss	**922,237**	**–**	958,847	6,357,105
Retirement benefits payable	**4,069,882**	**–**	887,045	–
Market adjustment on FVPL investments	**8,337,973**	**–**	–	2,537,240
Others	**598,450**	**–**	2,184,932	–
	78,834,170	**1,158,466**	63,798,591	10,284,506
Deferred income tax liabilities on:				
Retirement plan assets	**(40,519)**	**(3,207,703)**	(2,693,409)	(3,001,920)
Unrealized foreign exchange gains	**(219,561)**	**(13,309,704)**	(107,418)	–
Uncollected management fee	**–**	**(11,094,491)**	–	(11,108,875)
Fair value adjustment	**–**	**(324,407,713)**	–	(332,403,041)
Market adjustment on FVPL investments	**(2,584,218)**	**(87,847,870)**	(1,047,565)	(56,092,375)
	(2,844,298)	**(439,867,481)**	(3,848,392)	(402,606,211)
	75,989,872	**(438,709,015)**	59,950,199	(392,321,705)
Recognized in other comprehensive income:				
Deferred income tax assets (liabilities) on:				
Unrealized valuation losses (gains) on FVOCI investments	**–**	**4,595,798**	–	(4,955,479)
Cumulative actuarial losses (gains)	**(477,330)**	**(15,641,944)**	1,132,280	(23,237,135)
	(477,330)	**(11,046,146)**	1,132,280	(28,192,614)
	₱75,512,542	**(₱449,755,161)**	₱61,082,479	(₱420,514,319)

[1] *Pertain to PDP, SSRLI, ASAC, AHI and Sutton*
[2] *Pertain to Anscor, Anscorcon*

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2018	2017 (As restated – Note 2)
Allowances for:		
Impairment losses	**₱1,651,360,313**	₱1,651,360,313
Expected credit losses	**564,800,000**	564,800,000
NOLCO	**138,260,513**	302,142,326
MCIT	**9,436,514**	7,066,379
Provision for probable losses and lawsuits	**5,721,158**	5,721,158
Accrued pension benefits and others	**4,162,004**	6,409,266
Unrealized foreign exchange losses	**–**	2,364,044

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

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

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

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

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

**Adjustment pertains to unexpired portion of NOLCO of CGI.*

MCIT

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

**Adjustment pertains to unexpired portion of MCIT of CGI.*

27. **Earnings Per Share - Basic / Diluted**

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

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

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

28. **Related Party Transactions**

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the normal course of business and in addition to those disclosed in Notes 14 and 31, the Group grants/ receives cash advances to/from its associates and affiliates.

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

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

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

29. **Financial Risk Management Objectives and Policies**

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

The Company's investment objectives consist mainly of:

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

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

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, Treasurer and Corporate Development Officer, and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures
The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2018	2017 (As restated – Note 2)
Cash in banks	**₱1,600,596,372**	₱1,634,711,899
Short-term investments	**1,163,730,790**	1,619,315,971
FVPL investments - bonds	**655,218,123**	833,776,158
FVOCI investments - debt instruments	**694,323,218**	684,500,101
	4,113,868,503	4,772,304,129
Loans and receivables:		
Trade	**1,766,667,546**	1,574,198,574
Notes receivable	**240,030,000**	–
Interest receivable	**33,102,427**	22,046,675
Receivable from villa owners	**15,179,905**	13,106,894
Advances to employees	**14,295,820**	13,285,580
Dividend receivable	**3,299,071**	3,299,071
Others*	**17,557,020**	5,577,573
	2,090,131,789	1,631,514,367
	₱6,204,000,292	₱6,403,818,496

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

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

The tables below show the credit quality by class of financial asset based on the Group's credit rating system as at December 31:

2018	Financial Assets that are Neither Past Due nor Impaired: High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Cash in banks	**₱1,600,596,372**	**₱–**	**₱–**	**₱–**	**₱1,600,596,372**
Short-term investments	**1,163,730,790**	**–**	**–**	**–**	**1,163,730,790**
FVPL investments - bonds	**–**	**655,218,123**	**–**	**–**	**655,218,123**
FVOCI investments -					
debt instruments	**–**	**694,323,218**	**–**	**140,906,039**	**835,229,257**
Receivables:					
Trade	**–**	**1,744,648,823**	**22,018,723**	**70,818,417**	**1,837,485,963**
Notes receivable	**–**	**240,030,000**	**–**	**–**	**240,030,000**
Interest receivable	**–**	**27,875,731**	**5,226,696**	**591,095**	**33,693,522**
Receivable from villa owners	**–**	**15,118,655**	**61,250**	**–**	**15,179,905**
Advances to employees	**9,529,842**	**–**	**4,765,978**	**–**	**14,295,820**
Dividend receivable	**–**	**3,299,071**	**–**	**–**	**3,299,071**
Others	**693,445**	**6,613,305**	**10,250,270**	**1,833,158**	**19,390,178**
	₱2,774,550,449	**₱3,387,126,926**	**₱42,322,917**	**₱214,148,709**	**₱6,418,149,001**

2017 (As restated - Note 2)	Financial Assets that are Neither Past Due nor Impaired: High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Cash in banks	₱1,634,711,899	₱–	₱–	₱–	₱1,634,711,899
Short-term investments	1,619,315,971	–	–	–	1,619,315,971
FVPL investments - bonds	40,742,880	793,033,278	–	–	833,776,158
FVOCI investments -					
debt instruments	–	684,500,101	–	140,906,039	825,406,140
Receivables:					
Trade	–	877,859,446	696,339,128	57,974,044	1,632,172,618
Interest receivable	–	22,046,675	–	591,095	22,637,770
Advances to employees	9,633,694	3,651,886	–	–	13,285,580
Receivable from villa owners	–	13,106,894	–	–	13,106,894
Dividend receivable	–	3,299,071	–	–	3,299,071
Others*	–	2,074,877	3,502,696	1,833,158	7,410,731
	₱3,304,404,444	₱2,399,572,228	₱699,841,824	₱201,304,336	₱6,605,122,832

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

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

Trade receivables

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

December 31, 2018	Current	Days past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
Expected credit loss rate	**0%-0.37%**	**0%-2.99%**	**0%-6.87%**	**0%-13.49%**	**0%-27.11%**	**0%-57.70%**	
Estimated total gross carrying amount at default	**₱1,131,201,310**	**₱334,342,695**	**₱130,792,046**	**₱77,482,907**	**₱44,993,385**	**₱118,673,620**	**₱1,837,485,963**
Expected credit loss	**4,012,893**	**9,851,936**	**8,952,233**	**10,423,682**	**12,198,213**	**25,379,460**	**70,818,417**

December 31, 2017	Current	Days past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
Expected credit loss rate	0.74%-1.65%	2.20%-6.00%	4.91%-14.51%	4.91%-25.42%	23.17%-44.34%	26.00%-62.17%	
Estimated total gross carrying amount at default	₱959,120,973	₱348,525,284	₱180,558,056	₱31,468,858	₱19,781,068	₱92,718,379	₱1,632,172,618
Expected credit loss	7,431,462	7,996,065	8,881,613	3,120,694	4,582,725	25,961,485	57,974,044

Liquidity risk

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

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

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

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

December 31, 2017 (As restated – Note 2)	Within 6 months	6 to 12 months	Over 1 up to 5 years	Over 5 years	Total
Cash on hand and with banks	₱1,636,218,697	₱–	₱–	₱–	₱1,636,218,697
Short-term investments	1,619,315,971	–	–	–	1,619,315,971
FVPL investments - bonds	60,165,650	72,419,915	496,213,101	204,977,492	833,776,158
FVOCI investments - bonds	–	30,165,460	257,473,349	396,861,292	684,500,101
Receivables*	1,587,886,033	43,628,334	–	–	1,631,514,367
	₱4,903,586,351	₱146,213,709	₱753,686,450	₱601,838,784	₱6,405,325,294
Accounts payable and accrued expenses**	₱601,974,650	₱81,998,428	₱–	₱–	₱683,973,078
Long-term debt	211,008,430	400,275,441	1,107,440,450	–	1,718,724,321
Dividends payable	252,554,370	–	–	–	252,554,370
	₱1,065,537,450	₱482,273,869	₱1,107,440,450	₱–	₱2,655,251,769

**Excluding non-financial assets amounting to ₱151.9 million.*
***Excluding non-financial liabilities amounting to ₱225.0 million.*

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

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

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

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

a. Interest rate risks

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

The following table demonstrates management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating debt instrument	**Change in Interest Rates [in basis points (bps)]**	**Effect on Income Before Tax Increase (Decrease)**
2018	**+150**	**(₱7.30)**
	-150	**7.30**
2017	+150	(14.04)
	-150	14.04

The sensitivity analysis shows the effect on the consolidated profit or loss of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held as at December 31, 2018 and 2017. There is no other impact on equity other than those affecting profit and loss.

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

The table below shows the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as FVOCI. The impact of change in interest rates are as follows (in millions):

2018	**Change in Interest Rates (in bps)**	**Increase (Decrease) Effect on Income Before Tax**	**Increase (Decrease) Effect on Equity**
FVOCI investments	**+100**	**₱–**	**(₱14.89)**
	-100	**–**	**15.58**
FVPL investments	**+100**	**(19.00)**	**–**
	-100	**21.51**	**–**

2017	Change in Interest Rates (in bps)	Increase (Decrease) Effect on Income Before Tax	Increase (Decrease) Effect on Equity
FVOCI investments	+100	₱–	(₱18.08)
	-100	–	19.60
FVPL investments	+100	(19.56)	–
	-100	20.64	–

b. Equity price risk

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

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

The table below shows the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach. The impact of the change in equity prices is as follows (in millions):

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

The annual standard deviation of the PSE price index is approximately 14.73% and 12.04% and with 99% confidence level, the possible change in PSE price index could be +/-17.70% and +/-11.86% in 2018 and 2017, respectively.

c. Price risk of mutual funds

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

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity. The impact of the change in mutual fund prices are as follows (in millions):

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

d. Foreign currency risks

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

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

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or 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 and SSRLI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax. It assumes that all other variables remain constant. The impact of the change in currency rates are as follows (in millions):

2018	**Change in Currency Rate**	**Effect on Income Before Tax and Equity Increase (Decrease)**
US Dollar	**+4.97%**	**(₱5.20)**
	-4.97%	**5.20**
Indonesian Rupiah	**+5.98%**	**(10.65)**
	-5.98%	**10.65**

2017	Change in Currency Rate	Effect on Income Before Tax and Equity Increase (Decrease)
US Dollar	+3.49%	(₱3.37)
	-3.49%	3.37
Indonesian Rupiah	+2.89%	(5.14)
	-2.89%	5.14

e. Copper rod price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱493.3 million with an average quantity of about 1,326 metric tons in 2018 and ₱403.1 million with an average quantity of about 1,284 metric tons in 2017.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant. The impact of the change in copper prices are as follows (in millions):

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

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

Capital Management
The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

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

No changes were made in the objectives, policies or process for the years ended December 31, 2018 and 2017.

30. Financial Instruments

Categorization of Financial Instruments

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

**Excluding non-financial assets amounting to ₱180.1 million*

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

**Excluding non-financial assets amounting to ₱151.9 million*

Fair Values of Financial Assets and Liabilities
The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

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

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

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

- FVOCI investments in bonds are derived from quoted market prices in active markets.

- FVPL investments in KSA and Enderun shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

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

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

As at December 31, 2018:

		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱6,588,212,129**	**₱6,588,212,129**	**₱–**	**₱–**
Unquoted shares	**1,086,225,778**	**–**	**144,575,751**	**941,650,027**
Funds and equities	**766,122,276**	**766,062,576**	**–**	**59,700**
Bonds	**655,218,123**	**655,218,123**	**–**	**–**
Proprietary shares	**324,377,072**	**324,377,072**	**–**	**–**
Others	**17,792,108**	**17,792,108**	**–**	**–**
	9,437,947,486	**8,351,662,008**	**144,575,751**	**941,709,727**
FVOCI investments	**694,323,218**	**694,323,218**	**–**	**–**
	₱10,132,270,704	**₱9,045,985,226**	**₱144,575,751**	**₱941,709,727**

As at December 31, 2017 (As restated – Note 2):

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

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

2018:

	Valuation Technique	**Significant Unobservable inputs**	**Range**	**Sensitivity of Input to Fair Value**
KSA	DCF Model	Dividend payout is ₱120.0 million with 3% annual increase	0% to 5%	0%: fair value of ₱738 5%: fair value of ₱1,154
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,059 30%: fair value of ₱824
		Cost of equity of 13.88%	13% to 15%	13%: fair value of ₱1,021 15%: fair value of ₱858

2017:

	Valuation Technique	Significant Unobservable inputs	Range	Sensitivity of Input to Fair Value
KSA	DCF Model	Dividend payout is ₱110.0 million with 3% annual increase	0% to 5%	0%: fair value of ₱607 5%: fair value of ₱926
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱861 30%: fair value of ₱670
		Cost of equity of 14.50%	13% to 15%	13%: fair value of ₱880 15%: fair value of ₱733

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):

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

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

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

31. Contracts and Agreements

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a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

   In January 2016, CGI and IQHPC entered into a new Service Agreement where IQHPC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

   As at December 31, 2017, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2018, 2017 and 2016 amounted to ₱2.5 million, ₱7.4 million and ₱11.1 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2016 and 2017, the lease agreement was renewed for a one-year term.

   Rent expense in 2018, 2017 and 2016 amounted to ₱2.7 million, ₱3.3 million and ₱3.0 million, respectively (see Note 22).

d. In October 2015, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The initial sublease agreement was for a period of eight months until July 15, 2015. The sublease agreement was renewed and extended until June 15, 2016.

   In 2017, CGI entered into an agreement to sublease a portion of its leased office space to Cirrus Global Services, Inc. for a period of one year commencing August 1, 2017. This was extended until December 31, 2018.

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

e. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

Permitted fees are to be invoiced in the following manner:
- 25% of fee upon signing the contract offer of employment;
- 50% of fee upon deployment; and
- 25% of fee upon completion of the probationary 90-day time period at CCAD.

CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met. Total deferred revenues as at December 31, 2018 and 2017 amounted to nil and ₱9.5 million, respectively.

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

<u>Cirrus</u>

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱2.0 billion and ₱2.6 billion in 2017 and 2016, respectively. The service income recognized in 2017 is for the period ended October 19, 2017 (see Note 8).

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

   Rent expense in 2018, 2017 and 2016 amounted to nil, ₱9.2 million and ₱10.7 million, respectively (see Note 22).

c. On June 30, 2017, Cirrus invested in Cirrus Global Services, Inc. (CGSI) which handles the general and administrative services of the nurse staffing entities. CGSI, as part of the Cirrus Group, was subsequently sold through a merger agreement on October 19, 2017 (see Note 8).

<u>ASAC</u>

ASAC entered into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term.

<u>IAI</u>

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2018 and 2017 amounted to ₱81.3 million and ₱59.4 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets (see Note 17).

b. IAI conducts its operations from leased facilities with ASAC which include the aircraft hangar or ramp, battery shop, parking lots, mechanics' quarters and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and was subsequently renewed. The renewed lease agreement will terminate on August 31, 2019.

The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱3.5 million in 2018, ₱3.2 million in 2017 and ₱3.1 million in 2016.

c. IAI entered into a lease or concessionaire agreement with Manila International Airport Authority (MIAA) which granted IAI to operate as an aircraft hangar and conduct fixed base operations within the leased premises. The agreement shall be effective for a period of one (1) year commencing on January 1, 2016. IAI will continue to operate at Ninoy Aquino International Airport (NAIA) Complex by virtue of the Certificate of Public Convenience and Necessity (CPCN) to operate Domestic Scheduled Air Transportation Services issued on January 31, 2017 and valid from March 1, 2017 up to February 28, 2022.

   The IAI is still operating at NAIA Complex as of February 21, 2019.

<u>SSRLI and PRI</u>

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

   On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a location at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable.

   On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.9 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million (see Note 7).

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

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

d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 3% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

   Likewise, marketing services with Amanresorts Services Limited (ASL) were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

   PRI also executed a Reservation Services Agreement with Hotel Sales Services Ltd. (HSSL) in which PRI will pay the latter a monthly fee of 6.5% of the gross accommodation charges processed through HSSL's central sales and reservation offices, with the exception of bookings made through the global distribution system which cost US$100 per booking. Upon commencement of the service agreement on June 24, 2013, PRI paid an establishment fee of US$1,500. PRI pays annual maintenance fee of US$1,000 to HSSL. The agreement will expire upon the date the hotel is no longer managed by AMBV.

   PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort for a monthly fee of US$1,000.

   The OMA, marketing and license contracts will expire on December 31, 2018. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration. Total fees related to these agreements amounted to ₱105.5 million, ₱76.0 million and ₱58.0 million in 2018, 2017 and 2016, respectively.

e. PRI entered into an agreement with IAI wherein the latter will provide regular air transport service. IAI shall charge PRI a fixed round trip rate, subject to an annual review by both parties, with a guarantee that all IAI's operating cost will be covered. The agreement has a duration of three years and was executed effective July 1, 2011. The agreement was renewed for another 3 years on February 13, 2015. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties.

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

f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years ending September 2013. In 2015 and 2017, the lease agreement was renewed for another two years. The agreement provides that PRI is not allowed to sublease any part of the leased premises.

Future minimum annual rentals payable under this lease are as follows:

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

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

g. On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱0.6 million exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI. The monthly fee was reduced to ₱0.5 million, exclusive of VAT, from August 1, 2016 until March 21, 2017. On December 15, 2016, the agreement with APHI was transferred to AHI.

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

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

h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱163.4 million, ₱120.8 million and ₱96.0 million in 2018, 2017 and 2016, respectively, and presented as "Services revenue" in the consolidated profit or loss.

   As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2018 and 2017, the restricted fund amounted to ₱83.0 million and ₱81.9 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 17).

i. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

   On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of 20 years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter. Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was decreased to ₱42.8 million.

Future minimum lease payments under these lease agreements as at December 31 are as follows:

	2018	2017
Within one year	**₱42,800,000**	₱42,800,000
After one year but not more than five years	**171,200,000**	171,200,000
More than five years	**321,000,000**	363,800,000
	₱535,000,000	₱577,800,000

j. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2018, 2017 and 2016, SSRLI recognized handling fee, included under "Services revenue" account which amounted to ₱0.7 million, ₱4.7 million and ₱7.6 million, respectively.

k. SSRLI enters into memorandum of agreements with the buyers of villa. In 2016, two villas were sold and generated gain on sale amounting to ₱331.0 million.

l. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2018 and 2017, total property development in progress amounted to ₱3.2 million. These pertain to projects that are to be completed within one year and are, thus, presented as current assets.

m. In 2017, SSRLI redeemed Class A preferred stock of 46,284,261 shares and Class B preferred stock of 30,915,739 shares amounting to ₱77.2 million.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy (eliminated in the consolidated balance sheets) amounted to ₱41.4 million and ₱41.5 million as at December 31, 2018 and 2017, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱77.6 million, ₱67.6 million and ₱88.3 million in 2018, 2017 and 2016, respectively.

b. In 2013, PDP Energy entered into a contract of lease with a third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties. In 2018, PDP Energy renewed the lease contract for another five years.

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

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

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

32. Changes in Liabilities Arising from Financing Activities

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

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

33. Other Matters

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As at December 31, 2018, the refund process has remained pending.

   ASAC recognized accruals amounting to ₱1.1 million as at December 31, 2018 and 2017 for the Concessionaire's Privilege Fees which covers the subleasing that the MIAA is set to bill ASAC.

b. ASAC is a defendant in labor lawsuits and claims. As at December 31, 2018 and 2017, management has recognized provisions for losses amounting to ₱5.7 million (see Note 19) that may be incurred from these lawsuits.

c. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in their normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2018 and 2017, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

34. **Subsequent Event**

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