COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	2								

COMPANY NAME

A. SORIANO CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11,131	April 10	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2018**

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

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

5. **Philippines** 6. (SEC Use Only)
   Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

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

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

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

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

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

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

    Yes [X] No [ ]

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

12. Check whether the issuer:

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

    Yes [X] No [ ]

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

Yes [X] No [ ]

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

Aggregate market value as January 31, 2019 - ₱ 7,877,423,801

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

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

NOT APPLICABLE

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

Portion of the Company’s 2018 Annual Report to Stockholders is incorporated by reference into Part II of this report.

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

Definitive Information Statement filed pursuant to SRC Rule 20.

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

Not applicable

A. SORIANO CORPORATION
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PART I - BUSINESS AND GENERAL INFORMATION

Item 1.	Business

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

Anscor is a Philippine holding company with diverse investments. Anscor's major investments are in Phelps Dodge Philippines Energy Products Corporation ("PDP Energy") which manufactures wire and cable products and Seven Seas Resorts and Leisure, Inc., owner of Amanpulo Resort. It has an investment in steel modular engineering and constructions. It has other investments in companies engaged in a wide range of activities in the Philippines including aviation, business process outsourcing and real estate. As a holding company, the principal sources of income for Anscor are: the share in net earnings of the companies in which it has investments, management fees, interest income, dividends and gains from the sale of investments, mainly the trading gain on marketable securities and bonds. Growing the businesses is vital to Anscor's long-term success. The Company keeps a tight watch on the existing portfolio of businesses and new opportunities as they emerge.

As of 31st December 2018, the Company's consolidated total assets stood at ₱22.3 billion. For the year ended 31st December 2018, consolidated revenues of the Company amounted to ₱9.8 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries and associates as of December 31, 2018:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
IQ Healthcare Investments Ltd.	100%	Manpower Services	Houston, Texas, United States
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	United States
Prople Limited	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
AGP Group Holdings Pte. Ltd. (AG&P) (formerly AGP International Holdings, Ltd.)	27%	Modular Steel Engineering / Construction	British Virgin Island

Company	Ownership	Business	Jurisdiction
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
AFC Agribusiness Corporation	81%	Agricultural Land Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Investment Holding	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Fremont Holdings, Inc.	26%	Real Estate Holding	Philippines
ATRAM Investment Management Partners Corp.	20%	Asset Management	Philippines
DirectWithHotels Inc.	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Investments

Phelps Dodge Philippines Energy Products Corporation (PDP Energy)

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

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

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

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

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

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

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

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

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

Product Line	2018
Building wires	78%
Communication/Special	10%
Autowires	5%
Power Cables	7%

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

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

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

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

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

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

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

SSRLI owns a 40-room resort in Pamalican Island, Cuyo Palawan and operates 18 luxurious villas, mostly each villa comprising four (4) rooms. Seven Seas is a joint venture among Anscor, Palawan Holdings, Inc. and Les Folatieres Holdings. As of December 31, 2018, the resort manages a total of 62 villa rooms available for rent under management agreement executed by Pamalican Resort Inc.(PRI) and the villa owners.

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

Products/Services	Markets	Contribution to revenues
Rooms	Local & international	49%
Food and Beverage	-do-	25%
Others (including villa management and handling fees)	-do-	26%

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

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

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

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

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

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

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

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

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

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

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

Several programs were initiated to address the Resort’s various constituents. To avoid further beach erosion, ₱17.0 million was spent to plug holes in the reef on the eastern side of the island. The organic farm was expanded to support the Food & Beverage department’s farm-to-table initiative. A new power generating unit became fully operational in September 2017 and will help lower energy expenses in the years to come and staff facilities were enhanced.

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

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

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

AGP Group Holdings Pte. Ltd. (AG&P)

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

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

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

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

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

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

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

2018 was a transition year for AG&P as it became a fully integrated gas logistics and construction business. A net loss of US$18.7 million was recognized in 2018 as against a net income of US$16.9 million in 2017.

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

ATRAM Investment Management Partners Corporation (ATRAM)

ATRAM focuses on asset and wealth management and financial technology. In 2017, Anscor increased its stake in ATRAM from 10% to 20%.

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

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

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

KSA Realty Corporation (KSA)

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

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

In 2017, TEC underwent a ₱450.0 million upgrade. Due to the high demand for office spaces, KSA increased its leasable space by 2,000 square meters by converting part of the food court into office spaces and acquiring one floor from a previous owner.

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

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

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

Macquarie ASEAN Technology Investments Holdings II LP (Macquarie)

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

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

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

Its goal is to drive multiple-product candidates in select cancers through Food and Drug Administration licensure and production and sale thereafter. It has two pivotal-stage product candidates – naxitamab and omburtamab – both with FDA Breakthrough Therapy Designation. Each product has the potential to treat a variety of high-risk cancers.

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

Element Data, Inc. (Element Data)

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

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

Madaket, Inc. (Madaket)

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

Sutton Place Holdings, Inc. (Sutton)

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

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

Prople Limited

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

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

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

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

DirectWithHotels, Inc. (DirectWithHotels)

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

A. Soriano Air Corporation (ASAC)

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

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

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

Pamalican Island Holdings, Inc. (PIHI)

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

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

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

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

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

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

Anscor Consolidated Corporation (Anscorcon)

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

Anscorcon used to hold the Anscor Group stake in ICTSI which was sold last May 2006. It now owns 1,288,088,646 shares of Anscor as of December 31, 2018.

Anscor Holdings, Inc. (AHI)

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

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

<u>Other Information</u>

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

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

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

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

Employees

The Company and the Group as of December 31, 2018, has 22 and 691 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	10	181	191
Rank and file	12	488	500
TOTAL	**22**	**669**	**691**

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

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

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

Item 2. Properties

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

Information regarding properties of major subsidiaries and affiliates are:

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

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. 62 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2018.

- AHI has interests in land covering an area of approximately 111.39 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 40.41 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

- AFC Agribusiness has 97.4 hectares of land in Guimaras.

Other Information

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

Item 3. Legal Proceedings

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

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

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

For the last five years and as of January 31, 2019, management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

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

There were no items/matters submitted during the fourth quarter of 2018 to a vote of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

PRINCIPAL MARKET - Philippine Stock Exchange

Latest Market Price – January 31, 2019

Previous Close –	₱ 6.50
High	6.50
Low	6.50
Close	6.50

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

2018	**High**	**Low**
First Quarter	7.90	6.22
Second Quarter	6.60	5.95
Third Quarter	6.20	5.95
Fourth Quarter	6.54	6.10

2017	High	Low
First Quarter	6.46	5.90
Second Quarter	6.95	6.00
Third Quarter	7.14	6.32
Fourth Quarter	7.09	6.70

Source: Monthly PSE Report

Shareholdings Information

The total number of stockholders/accounts as of January 31, 2019 is 11,126 holding 2,500,000,000 shares of common stock.

The top 20 stockholders as of January 31, 2019 are as follows:

Stockholder Name	Number of Common Shares	% of Ownership
1. Anscor Consolidated Corporation*	1,288,442,146	51.538
2. PCD Nominee Corp. (Non-Filipino)	455,313,402	18.220
3. A-Z Asia Limited Philippines, Inc.	169,646,329	6.786
4. PCD Nominee Corp. (Filipino)	130,593,578	5.244
5. Universal Robina Corporation	64,605,739	2.584
6. Philippines International Life Insurance Co., Inc.	57,921,593	2.200
7. Andres Soriano III	50,490,265	2.020
8. C & E Holdings, Inc.	28,011,922	1.120
9. Edmen Property Holdings, Inc.	27,511,925	1.100
10. MCMS Property Holdings, Inc.	26,513,928	1.061
11. Express Holdings, Inc.	23,210,457	0.928
12. EJS Holdings, Inc.	15,518,782	0.621
13. Intelli Searchrev Corporation	8,785,600	0.351
14. DAO Investment & Management Corporation	8,628,406	0.345
15. Philippines Remnants Co., Inc.	7,556,183	0.302
16. Astraea Bizzara Corporation	3,292,615	0.132
17. Balangingi Shipping Corporation	2,767,187	0.111
18. Northpaw Incorporated	2,705,000	0.108
19. Jocelyn C. Lee	2,000,000	0.080
20. Lennie C. Lee	2,000,000	0.080
Total	**2,368,971,655**	**94.697**

** Includes 386,269,843 shares lodged with PCD Nominee Corp. (Filipino)*

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

Recent Sale of Unregistered Securities

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

Dividends

In 2018, the Board of Directors declared the following cash dividends:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	₱ 0.20	22-Feb-2018	26-Mar-2018	18-Apr-2018
Special	₱0.30	22-Feb-2018	26-Mar-2018	18-Apr-2018

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

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

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of December 31, 2018, the Company has sufficient retained earnings available for dividend declaration.

On February 21, 2019, the Board of Directors approved the declaration of ₱0.25 per share (₱0.20 per share regular and ₱0.05 per share special) to stockholders of record as of March 15, 2019, to be paid on April 10, 2019.

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.

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

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

YEAR	NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2018	808.4	18,575.9	1,215.5	0.67	15.32
2017	2,547.5	18,332.5	1,224.2	2.08	15.06
2016	2,682.6	16,189.3	1,232.7	2.18	13.13
2015	1,965.6	13,563.0	1,244.6	1.58	10.99
2014	1,643.5	14,835.2	1,254.0	1.31	11.94

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

* *Ratio of net income attributable to equity holders of the parent to weighted average number of shares outstanding during the year.*
** *Ratio of equity attributable to equity holders of the parent to outstanding number of shares as of end-December.*
*** *2016, 2017 and 2018 included PDP Group's gross revenues and total assets.*

Below are the key performance indicators of the Company:

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

	Years Ended December 31		
	2018	2017 (As Restated)	2016 (As Restated)
REVENUES			
Sale of goods – net	**₱8,292,509**	₱7,188,995	₱6,608,155
Services	**1,314,705**	1,059,796	910,979
Dividend income	**301,778**	270,687	218,798
Interest income	**109,516**	98,877	93,555
Equity in net losses – net of valuation allowance	**(262,184)**	(497,099)	(72,774)
Sale of real estate	**–**	–	633,912
	9,756,324	8,121,256	8,392,625
INVESTMENT GAINS (LOSSES)			
Gain on increase in market values of FVPL investments	**33,493**	1,351,506	1,139,184
Gain (loss) on disposal of subsidiaries	**(6,111)**	1,097,862	343,158
Gain (loss) on sale of FVOCI investments	**(2,701)**	13,933	8,787
	24,681	2,463,301	1,491,129
TOTAL	**9,781,005**	10,584,557	9,883,754
INCOME BEFORE INCOME TAX	**1,252,042**	2,889,439	2,983,008
PROVISION FOR INCOME TAX	**347,219**	253,436	317,783
NET INCOME FROM CONTINUING OPERATIONS	**904,823**	2,636,004	2,665,225
NET INCOME (LOSS) FROM DISCONTINUED OOPERATIONS	**–**	(47,637)	184,916
NET INCOME	**904,823**	2,588,367	2,850,141
OTHER COMPREHENSIVE INCOME (LOSS)	**49,503**	(61,859)	196,906
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱954,326**	₱2,526,508	₱3,047,047

Net Income Attributable to:			
Equity holders of the Parent	**₱808,386**	₱2,547,459	₱2,682,647
Noncontrolling interests	**96,437**	40,908	167,494
	₱954,823	₱2,588,367	₱2,850,141

	Years Ended December 31		
	2018	2017 (As Restated)	2016 (As Restated)
Total Comprehensive Income Attributable to:			
Equity holders of the Parent	**₱857,889**	₱2,485,600	₱2,879,553
Noncontrolling interests	**96,437**	40,908	167,494
	₱954,326	₱2,526,508	₱3,047,047
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 operation attributable to equity holders of the Parent	**₱0.67**	₱2.12	₱2.03
Basic/diluted, for total comprehensive income attributable to equity holders of the Parent	**₱0.71**	₱2.03	₱2.34

Significant financial indicators of the Group are the following:

	12/31/2018	12/31/2017	12/31/2016
Book Value Per Share (Note 1)	**15.32**	15.06	13.13
Current Ratio (Note 2)	**7.48**	8.43	6.61
Interest Rate Coverage Ratio (Note 3)	**18.17**	32.34	31.06
Debt to Equity Ratio (Note 4)	**0.17**	0.19	0.30
Asset to Equity Ratio (Note 5)	**1.20**	1.22	1.33
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**8.26%**	24.07%	27.14%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**4.35%**	13.90%	16.57%

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

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

PDP Energy and PDIPI

In Million Pesos

	12/31/2018	12/31/2017	12/31/2016
1. Net sales	**8,293**	7,189	6,608
2. Gross profit	**1,231**	1,120	1,358
3. Net income	**636**	546	753

Seven Seas Group

In Million Pesos

	12/31/2018	12/31/2017	12/31/2016
1. Occupancy rate	**58.8%**	55.2%	44.4%
2. Hotel revenue	**1,100.8**	861.2	678.9
3. Gross operating profit (GOP)	**509.3**	332.8	240.4
4. GOP ratio	**46.0%**	39.0%	35.4%
5. Resort net income	**225.4**	99.5	36.7
3. Villa development/lease net income	**9.9**	1.0	342.9
4. Consolidated net income	**235.3**	100.5	379.5

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

Financial Performance Year 2018

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

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

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

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

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

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

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

The loan balance of the parent company at the end of December 2018 wasUS$11.25 million, that will be fully paid by the first quarter of 2020.

The book value per share of Anscor increased from ₱15.06 to ₱15.32 as of December 31, 2018.

A dividend of ₱0.50 per share, ₱0.20 per share regular and ₱0.30 per share special, was paid on April 18, 2018. Anscor declared a dividend of ₱0.50 per share, ₱0.20 per share regular and ₱0.30 per share special, to shareholders of record as of March 26, 2018.

Investments – Group Operations

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

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

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

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

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

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

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

The depreciation of the Philippine peso against the US dollar also contributed to the higher revenue. The 2018 gross operating profit (GOP) amounted to ₱509.3 million as compared to ₱332.8 million in 2017. The revenue increase translated to a 53.0% growth in GOP and a 126% increase in net profit versus last year.

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

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

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

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

KSA Realty Corporation (14.28% owned by Anscor)

2018's gross rental revenue of ₱1.30 billion and net income of ₱964.0 million, before revaluation gain, were the highest in KSA's history, since it began operations in 1999. By year end, TEC's average rental rate was ₱1,320 per square meter, 5% higher than the average rental rate at the end of 2017. Gross revenue was 5% higher while net income, before revaluation gain, was 3% higher than last year.

<u>Financial Condition</u>

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

There was no significant change in the Company's Balance Sheet as of December 31, 2018 versus December 31, 2017.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2018 and 2017.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P1.4 billion partially offset by cash generated from operating activities.

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

Fair Value Through Profit and Loss (FVPL) Investments
The decrease in the account can be attributed to the net disposal for the period amounted to ₱107.0 million. The decline in market value of local traded shares and foreign denominated investment in bonds, stocks and funds of ₱418.3 million was offset by the increase in market value of YmAbs investment which started to be traded in NASDAQ effective September 22, 2018. Unrealized foreign exchange gain related to foreign denominated investments amounts to ₱34.3 million.

Receivables
The increase in receivables was mainly due to higher revenues of PDP and Amanpulo/PRI.

Inventories
The increase was due to higher level of finished goods and raw materials of PDP and aircraft spare parts inventories of the aviation subsidiary.

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

Other Current Assets
Decrease in this account can be attributed mainly to applied deposits of the contractors and suppliers of the resort.

Fair Value Through Other Comprehensive Income (FVOCI) – total current and noncurrent
Net increase in this account amounted to ₱9.8 million. The increase can be attributed to net additions of ₱15.8 million and unrealized foreign exchange gain of ₱25.8 million, partially offset by the decrease in market value of AFS investments of about ₱31.8 million.

Investments and Advances
The decrease in investments and advances were due to share in net losses of associates amounted to ₱262.2 million. Additional investment made by the parent company amounting to ₱103.0 million and the unrealized foreign exchange gain related to foreign equity investment of ₱92.7 million.

Property, Plant and Equipment - net
Depreciation charged to operations amounted to ₱252.8 million while net additions to property and equipment amounted to ₱156.2 million that was mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Retirement Plan Assets
Change in the retirement plant asset arises mainly from remeasurement of plan assets and withdrawal of retirement benefits.

Deferred Income Tax Assets
Increase in the account was mainly due to deferred tax effect of the allowance for impairment loss on receivables and inventories of the manufacturing subsidiary.

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

Notes Payable
Notes payable represent unsecured, short-term, interest-bearing liabilities of PDP.

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

Dividends Payable
Increase in the dividends payable was due to dividend checks issued in 2018 that were returned by the post office and which remained outstanding as of December 31, 2018 due to problematic addresses of some of the Company's stockholders.

Income Tax Payable
Movement in the account was attributable the increase in the tax provision of PDP and the Resort Group for 2018.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to payment by the Parent Company and PDP of the loan principals in 2018 and unrealized foreign exchange loss of ₱59.4 million from the translation of the foreign denominated loan as of December 31, 2018.

Deferred Income Tax Liabilities
Increase in the account was mainly due to deferred tax effect of unrealized foreign exchange gain and fair value adjustment on FVPL investments, specifically for KSA.

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

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

Cumulative Translation Adjustment (CTA)
This account includes translation adjustments of Anscor International, Inc. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by ₱89.9 million.

Equity reserve on acquisition of noncontrolling interest
The 2017 balance pertained to equity reserve when Cirrus Global Inc. (CGI) was acquired as a subsidiary by Anscor. CGI was sold in September 2018.

Unrealized valuation gains on AFS investments (equity portion)
Decrease in the account is attributable to the decline in market values of FVOCI investments - bonds, from January 1 to December 31, 2018.

Remesurement on Retirement Benefits
Decrease in the account was mainly due to net effect of the decrease in the retirement plan assets less retirement benefits payable.

Noncontrolling Interest (equity portion)
Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for the year 2018.

Others
There were no commitments for major capital expenditures in 2018.

Results of Operation

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

The discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2018 as compared to consolidated results for the year ended December 31, 2017:

Revenues
This year's consolidated gross revenues of ₱9.8 billion was lower by ₱803.6 million from last year's revenue of ₱10.6 billion. 2017 revenues include gain of ₱1.1 billion from divesting Cirrus Medical Staffing, Inc. In addition, the gain on increase in market value of FVPL investments last year was ₱1.4 billion vs a gain of ₱33.5 million in 2018. These were offset by the increase in sales revenue of PDP Energy, which was higher by P1.1 billion or 15.4%. Also, resort operations reported improved revenues.

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

Services Rendered
Increase in cost services rendered was mainly attributable to higher cost of services of resort operation.

Operating Expenses
The Group reported higher operating expenses mainly due increased expenses of the Resort due to its higher occupancy rate.

Interest Expense
Amount in 2018 was lower than 2017 due to payment of long-term loan by the Parent Company and PDP.

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

Provision for Income Tax - Net
The current provision for income tax of the Group increased due higher taxable income of PDP and the Resort which reported higher profits for 2018.

Noncontrolling Interests (Statements of Income)
Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for the year 2018.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016 (as reported in 2016 SEC 17-A)

Revenues
This year's consolidated gross revenues of ₱11.7 billion was lower by ₱202.2 billion from last year's revenue of ₱11.9 billion. The Group realized a ₱1.1 billion gain from divesting Cirrus Medical Staffing, Inc. Gains from the sale of AFS investments fell to ₱433.2 million, from ₱555.6 million in 2016, due to the decision to defer the sale of certain publicly traded shares that are expected to realize higher gains in the future. These decreases in revenues were offset by dividend income which improved by 24%, to ₱270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Service revenue of Cirrus Medical Staffing was consolidated only up to October 19, 2017. Also, the Group recognized revenue from the sale of two (2) villas by Seven Seas amounting to ₱635.5 million in 2016.

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

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

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

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

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

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

Others Charges – Net
For 2017, the Parent Company provided valuation allowances for AFS investments amounting to ₱125.6 million. Valuation allowances in 2016 were higher at ₱590.9 million.

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

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

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

Revenues
This year's consolidated gross revenues of ₱11.9 billion was higher by ₱1.0 billion from last year revenue of ₱10.7 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by ₱736.0 million or 26.8%, offset by lower investment gains by ₱146.2 million due mainly to lower gain on sale of traded shares. Also, the Group recognized a revenue from the sale of two (2) villas by Seven Seas amounting to ₱633.9 million in 2016.

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

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

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

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

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

Others income (charges) - net
For 2016, the Parent Company provided valuation allowances for AFS investments amounting to ₱590.9 million. Valuation allowances in 2015 were higher at ₱805.2 million.

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

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

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

	Note	As previously reported	Adjustments	As restated
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				
ealized valuation gains on AFS investments	(a)	1,899,776,724	(1,899,776,724)	–
ealized 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**
39 measurement category				
s and receivables:				
Cash and short-term investments	₱3,255,534,668	₱–	₱3,255,534,668	₱–
Receivables	1,631,514,367,367	–	1,631,514,367	–
_ investments:				
Bonds	833,776,158	833,776,158	–	–
Funds and equities	214,351	214,351	–	–
Others	22,089,650	22,089,650	–	–
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	2,027,489,952,367	–	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
to Existing Standards Effective Subsequent to December 31, 2018
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

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

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

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

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

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

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

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

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

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

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.
  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

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

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

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

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

- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

<u>Other Financial Information</u>

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

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

- There were no commitments for major capital expenditures in 2018 and onwards.

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

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

- There is no other change in composition of the registrant no restructuring.

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

Item 7. Financial Statements

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

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

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

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

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

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

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

In compliance with SRC Rule 68 paragraph 3(b) (IV) (Rotation of External Auditors), the SGV audit partner, as of December 2018, is Ms. Julie Christine C. Ong-Mateo who is on her fifth year of audit engagement.

Audit and Audit Related Fees

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

Year	Audit Fees
2018	₱1,275,000
2017	₱1,362,800

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

Tax Consultancy and Other Fees

Tax consultancy fees paid by the Company to SGV for the year 2018 amounted to ₱3,104,350.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors

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

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

Name	Position	Term of Office	Period Served as Director
Andres Soriano III	Chairman and Chief Executive Officer; President and Chief Operating Officer	1 year	36 years
Eduardo J. Soriano	Vice Chairman – Treasurer	1 year	38 years
Ernest K. Cuyegkeng	Director and Chief Financial Officer	1 year	10 years
John L. Gokongwei, Jr.	Director	1 year	38 years
Oscar J. Hilado	Director	1 year	20 years
Jose C. Ibazeta	Director	1 year	31 years
Alfonso S. Yuchengco III *	Director	1 year	0 years

** Mr. Yuchengco is a first time nominee as Director. On April 10, 2019, the shareholders will elect the new set of Directors for the year 2019 to 2020.*

Executive Committee and Management

The management structure of the Company consists of an Executive Committee that reports directly to the Board of Directors. The following are the members of the Audit Committee, Compensation Committee, Executive Committee and Nomination Committee for the period April 18, 2018 to April 9, 2019:

Audit Committee:

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

Compensation Committee:

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

Executive Committee:

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

Nomination Committee:

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

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

Directors

ANDRES SORIANO III, age 67, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of International Container Terminal Services, Inc. (ICTSI) (July 1992 to present), and Manila Peninsula Hotel, Inc. (1986 to November 2018). Mr. Soriano was formerly the President and Chief Operating Officer of San Miguel Corporation and was subsequently the Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 64, Filipino, Director of the Company since 21 May 1980; Vice Chairman of the Company (1990 to present) and Treasurer (1990 to September 2018); Chairman of Anscor Holdings, Inc. (2012 to present); Member of the Board of Trustees and President of The Andres Soriano Foundation, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 72, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Phelps Dodge Philippines Energy Products Corporation (1999 to present), and Anscor Holdings, Inc. (2012 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present); KSA Realty Corporation (2001 to present), ATRAM Investment Management Partners Corporation (2014 to present), T-O Insurance (2008 to present), and Sumifru, Singapore (2003 to present), and Philippine British Assurance Co. Inc. (Nov. 2011 to present); Chairman and Director of ArthaLand Corporation (2007 to present); Member of the Board of Trustees of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of the Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968), Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

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

OSCAR J. HILADO, age 81, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Union Galvasteel Corporation (March 2017 – present), Phinma Power Generation Corporation (1996 to present), Phinma Energy Corporation (April 2017 to present), Phinma Petroleum and Geothermal Corporation (April 2013 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Philex Mining Corporation (December 2009 to present), Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), Smart Communications, Inc., (May 2013 to present), Rockwell Land Corporation (May 2015 to present) and Roxas Holdings, Inc. (March 2016 to present). Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company.

JOSE C. IBAZETA, age 76, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), ICTSI Ltd., and ICTHI , Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present) and Island Aviation, Inc. (March 2017 to present); Member of the Board, Atlantic Gulf & Pacific Company of Manila, Inc.; Member of the Board, Executive Committee, Chairman of the Audit Committee and Member of the Compliance Steering Committee of AG&P Group Holdings Ptd Ltd.; FieldCOM, Inc. and GAS Entec Co, Ltd.; Member of the Board and Treasurer of AGP Philippines Holdings I, Inc.; Member of the Board of Trustees, Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010). He is a graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), MBA from the University of San Francisco, (1968) and, MBA Banking and Finance from the New York University (1972).

ALFONSO S. YUCHENGCO III age 59, Filipino, Director of Mapua Institute of Technology (1999 to present); Chairman of Testech, Inc. (2003 to present); Chairman of Prople, Inc. (2009 to present); Member of the Board of Trustees of SEIPI (2011 to present). He is a graduate of BS Asian Studies from De La Salle University (1981).

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

LORNA PATAJO-KAPUNAN, age 65, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc.(2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015). Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo, Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010). Bar Examiner, Mercantile Law (1988). The Outstanding Women In The Nations Service (TOWNS) Awardee – Corporate Law (1995) Filipinas Women Network (FWN) Influential Women Award (2016); Columnist, Business Mirror "Legally Speaking"; Program Host/Commentator "Laban Para Sa Karapatan" DWIZ, 882 AM.

WILLIAM H. OTTIGER, age 51, Swiss, Senior Vice President and Corporate Development Officer; Treasurer of the Company (September 2018 to present; Director of Phelps Dodge International Philippines, Inc.; AG&P International and Prople, Inc.; Formerly with San Miguel Brewing Group and UBS Investment Bank; Graduate of Washington & Lee University, B.A. European History, (1990). London Business School, MBA, (2001).

NARCISA M. VILLAFLOR, age 56, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc., The Andres Soriano Foundation, Inc., , Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation; Trustee of The Andres Soriano Foundation, Inc. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 56, Filipino, Vice President (joined the group in 1997); Director and General Manager of Anscor Holdings, Inc. (2000 to present); Director and President of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2015-2017); Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

JOSHUA L. CASTRO, age 44, Filipino, Vice President (April 2017 to present) and Assistant Corporate Secretary (2006 to present) of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. (2006 to present) and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation (2006 to present); Anscor Holdings, Inc. (2012 to present), and The Andres Soriano Foundation, Inc. (2006 to present). Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

SALOME M. BUHION, age 46, Filipino, Assistant Vice President - Accounting (April 2017 to present) and Accounting Manager (January 1998 to April 2017) of the Company; Assistant Manager, Business System Division (Support Management Group), Equitable PCI Bank, (1997); Auditor, SyCip Gorres Velayo & Co. (1994 to 1997); Certified Public Accountant.

MA. VICTORIA L. CRUZ, age 54, Filipino, Assistant Vice President of the Company (April 2017 to present); Executive Secretary to the Chairman (September 1998 to March 2017). Ms. Cruz was formerly the Executive Assistant to the Head of Mission of the Embassy of Peru. She also worked with Shangri-La's Mactan Island Resort, John Clements Consultant's Inc. and the Mandarin Oriental Hotel, Manila. She received a Bachelor of Science degree major in Business Management from De La Salle University in 1984.

Additional Information:

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

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

For the last five years and as of January 31, 2019, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

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

Item 10. Executive Compensation

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

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

Name	Principal Position	Compensation		
		2017 Actual	2018 Actual	2019 (Estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano	Vice Chairman			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
William H. Ottiger	Senior Vice President, Treasurer & Corporate Development Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Lorenzo D. Lasco	Vice President			
Joshua L. Castro	Vice President & Assistant Corporate Secretary			
Salome M. Buhion	Assistant Vice President			
Ma. Victoria L. Cruz	Assistant Vice President			
Salaries		₱ 65,046,721	₱ 67,953,963	₱ 51,668,733
Benefits		2,003,939	2,041,488	2,041,488
Bonus		48,925,000	51,750,000	25,025,000
Sub-Total Top Executive		115,975,660	121,745,451	78,735,222
Other Directors		15,120,714	15,410,714	11,971,786
Total		₱ 131,096,375	₱ 137,156,166	₱ 90,707,007

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

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

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

Item 11.	Security Ownership of Certain Beneficial Owners and Management

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

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

As of January 31, 2019, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,288,442,146*	51.538%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	505,803,667	20.232%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	169,646,329	6.786%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Filipino) (Depository Account)	Filipino	124,050,176	4.962%

** Includes 386,269,843 shares lodged with PCD Nominee Corp. (Filipino).*

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

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which ATRAM Trust Corporation is the sole owner of more than 5%, specifically 35.039%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. Shares owned by Deerhaven, LLC are indirectly owned by Andres Soriano III. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

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

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

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

b. Security Ownership of Certain Beneficial Owners and Management

As of January 31, 2019, the following are the security ownership of the Directors and Officers of the Company:

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

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

c. Voting Trust Agreement

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

d. Changes in Control

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

As of January 31, 2019 the foreign ownership level of total outstanding shares is 20.24%. The Company does not own any other equity securities beneficially owned by its directors.

Item 12. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

Item 13. Compliance with Leading Practice on Corporate Governance

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

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

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

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

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

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

As of January 31, 2019, there were no deviations from the Company's Manual on Corporate Governance.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

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

(b) SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on February 21, 2019.

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

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

NAMES	PASSPORT NO. GOV'T ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE
Andres Soriano III	506368805	01-14-2015	U.S.A
Ernest K. Cuyegkeng	EC3327271	01-31-2015	Manila
Narcisa M. Villaflor	P8592511A	09-08-2018	Manila
Salome M. Buhion	P9335323A	10-28-2018	DFA NCR Northeast
Atty. Lorna Kapunan	EC8493081	08-08-2016	Manila

Doc. No. 291;
Page No. 60;
Book No. I;
Series of 2019.

ATTY. KIRSTEN ERIKA A. CASAS
Appointment No. M-143
Notary Public for Makati City until December 31, 2019
Liberty Center, 104 H.V. dela Costa Street, Makati City
Roll No. 69265
PTR No.7339305; Makati City; Jan. 6, 2019
IBP No. LRN002560 RSM 5112017

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

A. SORIANO CORPORATION
INDEX TO EXHIBITS

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

A. SORIANO CORPORATION
INDEX TO SEC FORM 17-C

February 22, 2018	SEC 17-C Item No. 9 – Other Event Date of Stockholders' Meeting Proxy Date Proxy Validation Date Declaration of cash dividends
April 18, 2018	SEC 17-C Item No. 4 – Resignations, Removal or Election of Election of Directors and appointment of executive officers. Item No. 9 – Reappointment of external auditor
September 7, 2018	SEC 17-C Item No. 4 – Resignations, Removal or Election of Election of Directors and appointment of executive officers.

A. SORIANO CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Signed this 21st day of February 2019

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

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

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

Doc. No. 290;
Page No. 59;
Book No. 1;
Series of 2019.

ATTY. KIRSTEN ERIKA A. CASAS
Appointment No. M-143
Notary Public for Makati City until December 31, 2019
Liberty Center, 104 H.V. dela Costa Street, Makati City
Roll No. 69265
PTR No.7339305; Makati City; Jan. 6, 2019
IBP No. LRN002560 RSM 5112017

7TH FLOOR PACIFIC STAR BUILDING, MAKATI AVENUE COR. SEN. GIL PUYAT AVENUE, MAKATI CITY, METRO MANILA, TEL. (63 2) 819-0251

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

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

BOA/PRC Reg. No. 0001,
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.

A member firm of Ernst & Young Global Limited

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.

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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.

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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.

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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.

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

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
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SEC Accreditation No. 0780-AR-3 (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332594, January 3, 2019, Makati City

February 21, 2019

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

Effective beginning on or after January 1, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

  The interpretation specifically addresses the following:

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

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

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

- Annual Improvements to PFRSs 2015-2017 Cycle

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

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

Basis of Consolidation

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

		Percentage of 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.

<u>Investments in Associates</u>

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but 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.

<u>Fair Value Measurement</u>
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		**Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2018**
	2018	2017 (As restated – Note 2)	
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
	2017 (As restated – Note 2)	2016 (As restated – Note 2)	in 2017 (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
	2016 (As restated – Note 2)	2015 (As restated)*	in 2016 (As restated – Note 2)
Quoted equity shares	₱1,218.7	(₱3.1)	₱1,221.8
Unquoted equity shares	457.8	509.5	(51.7)
Bonds	(22.2)	(43.8)	21.6
Funds and equities	(15.8)	(11.4)	(4.4)
Proprietary shares	170.1	174.6	(4.5)
Others	60.5	57.8	2.7
Total	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:

	Financial Assets that are Neither Past Due nor Impaired				
2018	**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**

	Financial Assets that are Neither Past Due nor Impaired				
2017 (As restated - Note 2)	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.

		Days past due but not impaired					
December 31, 2018	**Current**	**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	Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
		Days past due but not impaired					
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**	**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	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**

Sutton

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

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

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

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

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

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

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

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

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

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

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

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

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

Cirrus

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

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

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

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

ASAC

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

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 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.

SSRLI and PRI

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

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

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

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

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.9 million (₱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.

SGV
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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 ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and Subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated February 21, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-3 (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332594, January 3, 2019, Makati City

February 21, 2019

A member firm of Ernst & Young Global Limited

A. SORIANO CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

ANNEX A

A. SORIANO CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

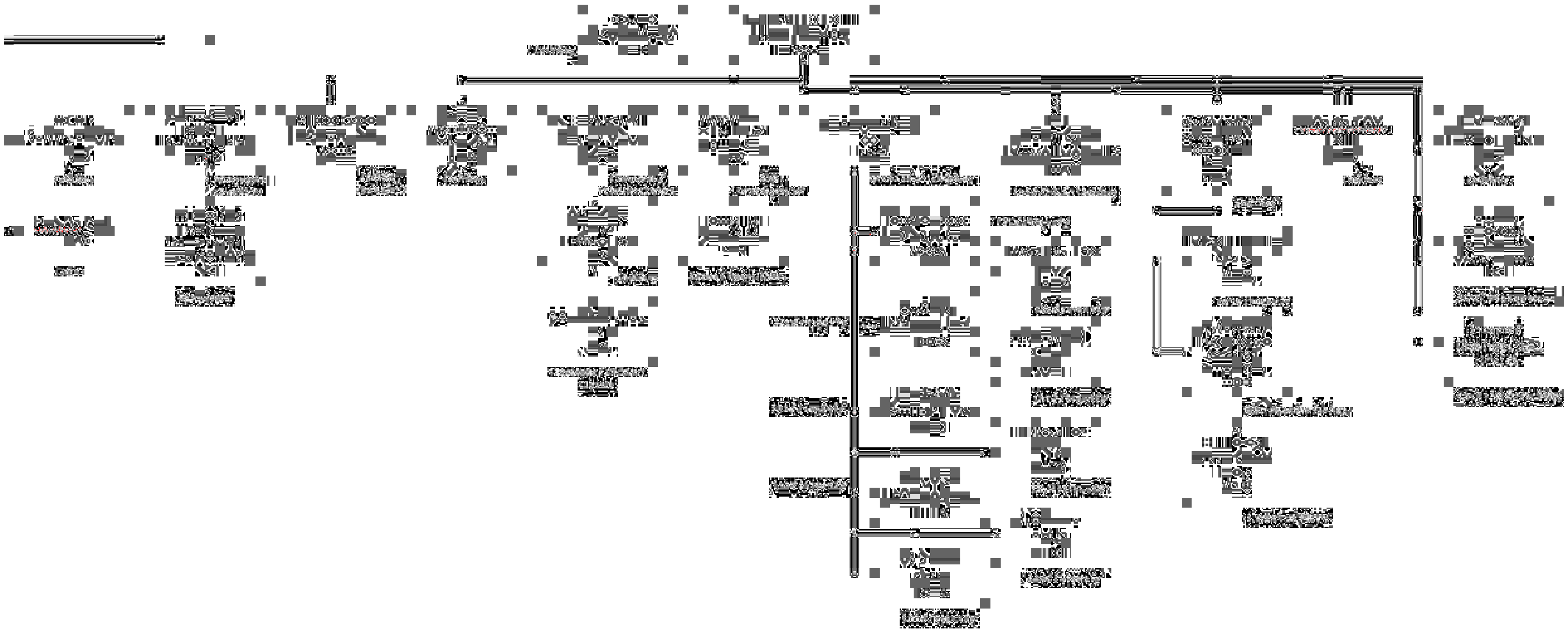
DECEMBER 31, 2018

Unappropriated retained earnings, as adjusted to available for dividend distribution, January 1, 2018		₱3,258,175,350
Effect of transition adjustment - PFRS 9	2,950,404,370	
Fair value adjustments related to unrealized market to market gains of FVPL investments	(2,950,404,370)	–
Unappropriated retained earnings, as adjusted to available for dividend distribution, January 1, 2018		3,258,175,350
Add: Net income actually earned/realized		
Net income during the year	773,024,693	
Deferred tax assets	47,846,964	820,871,657
Net income actually earned		4,079,047,007
Less dividend declarations		1,250,000,000
Total retained earnings available for dividend declaration, December 31, 2018		**₱2,829,047,007**

ANNEX B

A. SORIANO CORPORATION AND SUBSIDIARIES

GROUP STRUCTURE
DECEMBER 31, 2018



ANNEX C

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transaction			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Definition of a Business*		✓	
	Amendments to PFRS 3: Previously Held Interest in a Joint Operation*		✓	
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4			✓
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10, *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PFRS 10, *Consolidated Financial Statements* - Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendments to PFRS 11: Previously Held Interest in a Joint Operation*		✓	

**Standards and interpretations which will become effective subsequent to December 31, 2018.*
***Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception	✓		
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
	Amendments to PFRS 12: Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases*		✓	
PFRS 17	Insurance Contracts*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1: Defnition of Material*		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative – Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 8: Definition of Material*	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 12 *(cont'd)*	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendments to PAS 12: Income Tax Consequences of Payments on Financial Instruments Classified as Equity*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
	Amendments to PAS 19: Employee Benefits, Plan Amendment, Curtailment or Settlement*	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendments to PAS 23: Borrowing Costs Eligible for Capitalization*		✓	
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PAS 28:Applying the Consolidation Exception	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2018.*
***Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 28 *(cont'd)*	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	✓		
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 39 *(cont'd)*	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements & Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

ANNEX D

A. SORIANO CORPORATION AND SUBSIDIARIES

FINANCIAL INDICATORS

DECEMBER 31, 2018

Significant financial indicators of the Group are the following:

	12/31/2018	12/31/2017 (As restated)	12/31/2016 (As restated)
Book Value Per Share (Note 1)	**₱15.32**	₱15.06	₱13.13
Current Ratio (Note 2)	**7.48**	8.43	6.61
Interest Rate Coverage Ratio (Note 3)	**18.17**	32.34	31.06
Debt to Equity Ratio (Note 4)	**0.17**	0.19	0.30
Asset to Equity Ratio (Note 5)	**1.20**	1.22	1.33
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**8.26%**	24.07%	27.14%
Return on Equity (Net Income Attributable to Equity Holdings of the Parent/Equity Attributable to Equity Holdings of the Parent)	**4.35%**	13.90%	16.57%

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

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

PDP Energy and PDIPI

In Million Pesos

	12/31/2018	12/31/2017 (As restated)	12/31/2016 (As restated)
1. Net sales	**₱8,292.5**	₱7,189	₱6,608
2. Gross profit	**1,231.0**	1,120	1,358
3. Net income	**636.4**	546.0	752.8

Seven Seas Group

In Million Pesos

	12/31/2018	12/31/2017	12/31/2016
Occupancy rate	**58.8%**	55.2%	44.4%
Hotel revenue	**1,100.8**	861.2	678.9
Gross operating profit (GOP)	**509.3**	332.8	240.4
GOP ratio	**46.0%**	39.0%	35.4%
Resort net income	**225.4**	99.5	36.7
Villa development/lease net income	**9.9**	1.0	342.9
Consolidated net income (loss)	**235.3**	100.5	379.5

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

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
FVPL INVESTMENTS				
QUOTED EQUITY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Ayala Land Inc.	5,206,100	211,367,660	211,367,660	(8,480,562)
BDO Unibank, Inc.	1,081,730	141,490,284	141,490,284	(16,953,104)
Bloomberry Resorts Corporation	33,751,000	317,596,910	317,596,910	(88,674,607)
Cebu Air	378,180	27,682,776	27,682,776	(8,426,304)
Cebu Landmasters, Inc.	2,400,000	9,936,000	9,936,000	864,400
China Banking corporation	1,532,320	41,525,872	41,525,872	(9,501,992)
Concepcion Industrial Corp.	78,654	2,910,198	2,910,198	1,208,137
Eagle Cement Corporation	8,809,500	136,194,870	136,194,870	5,354,517
I C T S I	27,776,550	2,777,655,000	2,777,655,000	(110,883,335)
iPeople Inc."A"	91,945,934	1,029,794,461	1,029,794,461	(148,959,968)
Jollibee Foods Corp.	367,340	107,189,812	107,189,812	8,980,503
LBC Express Holdings, Inc.	40,400	569,640	569,640	(38,087)
Macroasia Corporation	2,233,530	37,970,010	37,970,010	(475,631)
Megawide	45,865,080	848,503,980	848,503,980	(138,773)
Robinson Retail Holdings	2,040,230	163,218,400	163,218,400	(31,582,760)
Ym-Abs	684,872	732,455,413	732,455,413	451,825,276
ANSCORCON-ACMDC	840,173	2,150,843	2,150,843	(2,050,022)
		6,588,212,129	**6,588,212,129**	**42,067,688**
UNQUOTED EQUITY SHARES	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
K S A Realty Inc	-	941,650,027	941,650,027	188,727,395
Element Data, Inc.	-	1,468,342	1,468,342	12,034,760
Madaket, Inc.	-	31,170,458	31,170,458	(21,043,808)
Sierra Madre	-	47,114,250	47,114,250	3,331,745
Pacific Synergies	-	47,173,046	47,173,046	-
Navegar	-	17,649,655	17,649,655	20,156,994
		1,086,225,778	**1,086,225,778**	**203,207,086**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BS-Macquarie ASEAN Technology Investment	5,000,000	262,900,000	262,900,000	-
BS-Ishares JPM USD EM BOnd UCITS ETF-USD	26,000	141,205,693	141,205,693	(8,183,259)
BPI-BPI USD Short Term Fund (BPI USSTF)-USD	8,471	134,677,164	134,677,164	57,943
BS-PIMCO Funds Global Investors Series PLC-USD	91,663	51,088,314	51,088,314	(347,645)
BS-Invesco US Senior Loan Fund-USD	11,227	50,354,486	50,354,486	(50,585)
BS-Blackstone Bespoke Opp Solutions-USD	650	33,927,641	33,927,641	(591,129)
BS-BOS PE Healthcare GR 2017-USD	3,000,000	33,192,170	33,192,170	6,685,620
BS-BGF-Global Multi Asset Income Fund-USD	47,939	22,282,225	22,282,225	(1,366,173)
BS-Longlobal-Singapore Dividend Equity Fund-SGD	338,202	12,178,126	12,178,126	(1,226,054)
BPI(ASF)-Ishares Floating Rate Bond(Flo.ETF)-USD	3,840	10,585,872	10,585,872	406,962
BPI(ASF)-US short Term Fund(USSTF)-USD	301	4,806,881	4,806,881	57,943
BS-Citigroup Inc-USD	1,600	4,379,704	4,379,704	(1,236,259)
BPI(ASF)-MM UTF (Trust Fund)-PHP	10,530	2,585,806	2,585,806	57,783
BS-Y mAbs Therapeutics Ord Shs-USD	996	1,065,199	1,065,199	138,214
Rohatyn Global (class B & S2)	-	646,395	646,395	-
MS-UBS USD Autocallable Stk-USD	-	186,900	186,900	-
AHI-PLDT Series Y 10% Cumm. Pref.	4,200.00	46,452	46,452	-
AHI-PLDT Series BB 10% Cumm. Pref.	1,200.00	13,248	13,248	-
		766,122,276	**766,122,276**	**(5,596,639)**
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Agromercantil Senior TR 6.25% 100419	PHP 300,000	15,789,774	15,789,774	573,884
Banco Do Brasil(Cayman) 9% 311249 Perp	PHP 300,000	16,069,763	16,069,763	607,958
Cemex Finance LLC 6% 040424	$ 300,000	15,675,413	15,675,413	38,146
China Oil and Gas Group 4.625% 200422	$ 300,000	14,934,350	14,934,350	(200,140)
Country Garden Holdings 4.75% 250722	$ 300,000	14,531,798	14,531,798	(505,267)
Ecopetrol SA 5.375% 260626	$ 300,000	15,852,870	15,852,870	(61,772)
First Pacific Cap 5.75% 05/30/25	$ 200,000	10,707,391	10,707,391	535,980
Franshion Brilliant Ltd Variable(FSPCN) Perp	$ 300,000	13,889,007	13,889,007	(1,026,881)
Global Prime Capital 5.5% 181023	$ 300,000	14,433,210	14,433,210	(531,850)
Greenko Investment Co 4.875% 160823	$ 300,000	14,157,165	14,157,165	(705,705)
Indika Energy Cap II PTE 6.875% 100422	$ 300,000	15,754,282	15,754,282	536,818
JPMorgan Chase 7.9% callable 300418	$ 360,000	18,881,478	18,881,478	556,211
Listrindo Capital 4.95% 140926	$ 300,000	14,038,860	14,038,860	(379,814)
Meiji Yasuda Life Insurance 5.2% 201045	$ 300,000	15,734,565	15,734,565	(323,163)

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
Mexichem Sab De CV 4% 041027	$ 300,000	14,461,445	14,461,445	(683,025)
Myriad Int'l Holdings(MIH) BV 5.5% 210725	$ 300,000	15,912,022	15,912,022	(278,511)
OAS Investments GMBH 8.25% 191019	$ 500,000	525,800	525,800	(867,160)
PLA Administradora Indus 5.25% 101122	$ 300,000	15,576,825	15,576,825	44,407
PTTEP Treas Ctr Co Var 17012166 Perp	$ 300,000	15,037,354	15,037,354	(115,099)
Pakuwon Prima 5% 140224	$ 300,000	14,689,538	14,689,538	(404,338)
Petrobas GL Fin(PETRD) 5.299% 270125	$ 318,000	16,257,618	16,257,618	448,136
Petroleos Mexicanos 5.625% 230146	$ 300,000	11,830,500	11,830,500	(1,134,982)
Petroleos Mexica Pemex 3.5% 300123	$ 200,000	9,516,980	9,516,980	(389,281)
Petron Corp PCorX 4.6% Perp '23 FRN-USD	$ 200,000	9,749,699	9,749,699	152,222
BS-Royal Capital 5.5% 291249 Perp-USD	$ 785,000	38,282,841	38,282,841	(1,187,731)
Samvardhana Motherson AU 4.875% 161221	$ 300,000	15,348,102	15,348,102	(295,584)
Softbank Group Corp 4.75% 190924	$ 300,000	14,906,430	14,906,430	(208,839)
TBG Global PTE Ltd 5.25% 100222	$ 300,000	15,419,085	15,419,085	374,498
Transcanada Pipielines Variable 150567	$ 500,000	21,720,535	21,720,535	(2,839,937)
VON (Veon Holdings) 3.95 160623	$ 200,000	10,226,810	10,226,810	127,936
EDCPM 2021 6.5% 012021	$ 2,420,000	133,612,142	133,612,142	1,531,737
ICSTI-Perp 6.25% 05/05/19	$ 440,000	23,204,143	23,204,143	672,866
SMCG-Perp 7.50% 11/07/19	$ 561,000	30,087,328	30,087,328	1,063,936
Medifi	-	18,403,000	18,403,000	-
		655,218,123	**655,218,123**	**(4,874,344)**

PROPRIETARY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Manila Polo Club	1	23,000,000	23,000,000	-
Maybank ATR KIMENG Partners, Inc.	-	15,000	15,000	-
Canlubang Golf & Country Club	2	2,600,000	2,600,000	600,000
Celebrity Sports Plaza	1	200,000	200,000	-
Fuego Development Corporation	1	450,000	450,000	(353,250)
Manila Golf & Country Club	3	260,000,000	260,000,000	95,000,000
Metropolitan Club	1	275,000	275,000	-
Orchard Golf & Country Club	1	750,000	750,000	650,000
Palms Country Club Class A	1	600,000	600,000	-
Ridge Country Club	1	10,000	10,000	-
Sta Elena Properties'A'	3	16,500,000	16,500,000	6,900,000
Valle Verde Country Club	1	400,000	400,000	50,000
PLDT	10,708	119,072	119,072	-
Makati Medical Center	300	5,000	5,000	(1)
Orchards Golf Club "A"	1	330,000	330,000	30,000
Alabang Country Club "A"	2	14,000,000	14,000,000	3,400,000
Club Filipino	1	300,000	300,000	120,000
Cresta Del Mar	1	68,000	68,000	-
Makati Sports Club "A"	1	600,000	600,000	200,000
Philippine Village Resort	1,000	5,000	5,000	-
Valle Verde Country Club	3	1,200,000	1,200,000	(300,000)
Valley Golf Club	1	430,000	430,000	180,000
Manila Southwoods "A"	1	1,100,000	1,100,000	300,000
Puerto Azul	1	70,000	70,000	(30,000)
Alta Vista De Cebu (Vistamar)	1	200,000	200,000	(100,000)
Camp John Hay	2	500,000	500,000	260,000
Tagaytay Midlands Golf Club, Inc.	1	650,000	650,000	150,000
		324,377,072	**324,377,072**	**107,056,749**

OTHERS	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Manila Peninsula Hotels,Inc.	265,000	2,444,945	2,444,945	-
Medical Doctors, Inc.	790	79,000	79,000	302,028
PLDT Co - Pref	1,200	12,600	12,600	-
Realty Investment Inc	120,000	32,500	32,500	-
Central Azucarera de La Carlota	271	780	780	-
BPI(ASF)-Arthaland Corporation Pref B(ALCPB)-Peso	2,300	236,900	236,900	(7,997)
BPI(ASF)-fgen Pref 8% 7.25.18-PHP	15,000	6,750,000	6,750,000	(495,000)
BPI(ASF)-Globe Preferred-Php	15,000	7,200,000	7,200,000	(254,955)
GTCAP Pref A(GTPPA)-Php	875	787,500	787,500	(73,238)
ACMDC	608	6,203	6,203	-
Meralco	636	241,680	241,680	32,690
		17,792,108	**17,792,108**	**(496,472)**

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
TOTAL - FVPL INVESTMENTS		**9,437,947,486**	**9,437,947,486**	**341,860,540**
FVOCI INVESTMENTS				
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
ABJA Invt. Co(Tata Steel)5.95% 310724	$ 200,000	10,279,390	10,279,390	613,713
African Export-Import BA 4.125% 200624	$ 200,000	9,990,200	9,990,200	440,594
African Export-Import Bank 4.% 240521	$ 300,000	15,518,461	15,518,461	627,803
Bank of Phil. Island 4.25% 09/04/2023	$ 500,000	26,209,027	26,209,027	228,401
Caixa Economica Federal 3.5% 071122	$ 200,000	10,016,490	10,016,490	379,892
Eastern & Southern Afric 5.375% 140322	$ 300,000	15,596,542	15,596,542	847,221
Equate Petrochemical BV 3% 030322	$ 300,000	15,355,989	15,355,989	417,348
FPC Treasury Ltd 4.5% 160423	$ 300,000	15,561,051	15,561,051	705,572
Kingdom of Bahrain 5.5% 310320	$ 300,000	15,789,774	15,789,774	772,148
Kuwait Projects Co 5% 150323	$ 280,000	14,466,672	14,466,672	739,046
MTN Mauritius Invt 4.755% 111124	$ 300,000	14,433,210	14,433,210	853,976
Megawolrd Corp 4.25% 170423	$ 300,000	15,522,878	15,522,878	665,299
National Savings Bank 5.15% 100919	$ 300,000	15,419,085	15,419,085	779,886
Office Cherifien Des PHO 5.625% 250424	$ 300,000	16,151,787	16,151,787	847,848
Oman Sovereign Suksuk 4.3987% 010624	$ 300,000	14,181,141	14,181,141	499,870
RCBC 4.125% 03/16/23	$ 300,000	15,340,215	15,340,215	446,362
Security Bank 4.5% 09/25/23	$ 300,000	15,778,259	15,778,259	195,556
TC Ziraat Bankasi AS 5.125% 030522	$ 300,000	14,392,198	14,392,198	767,762
Transnet Soc Ltd 4% 260722	$ 300,000	14,773,771	14,773,771	684,459
Turkiye IS Bankasi AS 5% 250621	$ 200,000	9,573,451	9,573,451	479,346
Vigorous Champ Intl LTD 4.375%	$ 300,000	15,541,649	15,541,649	148,744
ICTSI 7.375% 031720	$ 1,545,000	84,502,604	84,502,604	4,973,914
ICTSIM 4.625% 01/16/23	$ 1,721,000	89,335,525	89,335,525	3,384,489
JG Summit 4.375% 012323	$ 2,729,000	141,624,004	141,624,004	5,199,056
SMIC 4.875% 061024	$ 1,210,000	63,660,609	63,660,609	3,107,263
PSB-USN 4.40% 08/23/14	PHP 1,000,000	890,159	890,159	40,211
RCBC-USN 4.30% 9/27/14	PHP 5,100,000	4,419,077	4,419,077	216,863
		694,323,218	**694,323,218**	**29,062,642**
TOTAL - FVOCI INVESTMENTS		**694,323,218**	**694,323,218**	**29,062,642**
GRAND TOTAL - FINANCIAL ASSETS		**10,132,270,704**	**10,132,270,704**	**370,923,182**

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

Note 2 This column includes interest income, dividends and unrealized gain/loss in market value of FVPL investments charged to income in 2018

A. SORIANO CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2018

	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
ALAVARES, Edgar Allan	-	1,050,786	154,267	896,519	-	896,519
BUSALPA, Jerald	208,937	1,001,791	335,027	875,701	-	875,701
CAGUITLA, Emmanuel	197,360	800,000	226,873	770,487	-	770,487
MANALO, Emilio	167,168	800,000	270,465	696,703	-	696,703
FABELLO, Patrick	349,999	692,280	477,640	564,639	-	564,639
CUNANAN, Edcell	195,604	664,891	304,001	556,494	-	556,494
SUMANG, Nilo	295,904	501,141	356,464	440,582	-	440,582
ONG, Joseph	573,312	-	145,408	-	427,904	427,904
LACANILAO, Ephraim	295,904	451,171	362,676	384,399	-	384,399
RONGEVILLA, Kenneth	-	395,952	129,637	266,315	-	266,315
RESMA, Mark	195,362	217,728	166,225	217,728	29,137	246,864
VELASCO, Andrew	80,899	176,465	57,197	176,465	23,702	200,167
FERMANO, Jeric James	-	190,569	40,778	149,791	-	149,791
SANTOS, Claudine N.	139,276	173,250	181,315	131,210	-	131,210
PENULLAR, Benigno	114,703	167,475	167,397	114,781	-	114,781
MALACASTE, Jay	302,926	-	191,246	-	111,680	111,680
CUTIONGCO, Hazel B.	28,290	167,792	86,034	110,048	-	110,048
ROLOM, Edwin	262,002	-	153,111	-	108,891	108,891
BERINGUEL, Vivian	2,500	107,000	2,500	107,000	-	107,000
BAUTISTA, Juan Miguel	252,535	80,000	226,162	80,000	26,373	106,373
LONTOC, Ralph	257,915	-	154,749	-	103,166	103,166
RIVERA, Alejandro Miguel	304,195	30,000	231,528	30,000	72,666	102,666
FERNANDEZ, Analyn	36,583	140,000	78,528	98,056	-	98,056
LACSINA, Jeffrey	62,840	134,000	100,667	96,173	-	96,173
SYJUCO, Mike	324,201	2,013	231,130	2,013	93,072	95,085
VALERIO, Janette M.	14,000	150,000	77,001	86,999	-	86,999
SANTOS, Jefrey	26,416	85,000	26,416	85,000	-	85,000
HERNANDEZ, Julio F.	133,333	159,240	208,126	84,447	-	84,447
LIGUATON, Leah	21,486	319,880	257,786	83,580	-	83,580
REYES, Rosalina	93,635	65,000	75,619	65,000	18,015	83,015
RIVERA, Ariel	206,384	50,000	173,456	50,000	32,928	82,928
VICTORIANO, Ricardo	36,111	100,000	53,820	82,292	-	82,292
PACHECO, Jesser	33,042	100,000	51,237	81,806	-	81,806
BAZAR, Genevieve	-	80,050	-	80,050	-	80,050
CARDENAS, Rhizza	41,667	95,000	56,667	80,000	-	80,000
NOTO, Joseph	62,500	85,000	68,056	79,444	-	79,444
ACUZAR, Michael	25,000	110,000	65,000	70,000	-	70,000
MENDOZA, Ricky	11,861	100,000	42,396	69,465	-	69,465
PANELO, Rolando	34,000	100,000	65,944	68,056	-	68,056
ILARINA, Jeric	20,278	100,000	53,611	66,667	-	66,667
HAGINAN (AGUILAR), An	17,500	100,000	55,000	62,500	-	62,500
POLINTAN, Renato	70,972	90,000	98,472	62,500	-	62,500
PEREZ, Bladimer	58,056	80,000	76,111	61,944	-	61,944
NUNEZ, Jervie	3,056	60,000	3,056	60,000	-	60,000
RUBIANO, Jay Martin	-	60,000	-	60,000	-	60,000
ALFONSO Reymon	16,667	50,000	8,333	50,000	8,334	58,334
TUCAQUI, Loreto	15,000	80,000	37,224	57,776	-	57,776
DIZON Hilnes	37,500	60,000	40,000	57,500	-	57,500
BAYAN, Rodel	-	60,000	2,578	57,422	-	57,422
COBARIA, Joselito	75,555	70,400	89,444	56,511	-	56,511
TACANAY, Edward	29,167	60,000	33,750	55,417	-	55,417
REYES. Joseph Albert	86,415	77,734	110,080	54,069	-	54,069
NGOHO, Ella Mae	22,917	80,700	50,585	53,032	-	53,032
GUTIERREZ, Jennifer	31,944	60,000	39,167	52,778	-	52,778
NASON, Cherrie	6,883	114,000	68,394	52,490	-	52,490
LABAY, Veronica	30,000	57,000	34,667	52,333	-	52,333
OCAMPO, Gerald	33,333	50,000	32,500	50,000	833	50,833
SUDARIA, ArliJoy	22,222	60,000	31,389	50,833	-	50,833
VERGARA, Loui	32,084	50,000	31,528	50,000	556	50,556
COLOMA Errol	26,389	50,000	26,389	50,000	-	50,000
LUZANO, Robertson	-	50,000	-	50,000	-	50,000
VILLACERAN, Ayra	50,000	50,000	50,000	50,000	-	50,000
CAPAN Danilo	37,500	50,000	37,500	50,000	-	50,000
CAPIT Ariel	41,667	50,000	41,667	50,000	-	50,000
PEREZ, Joseph	33,333	110,000	93,333	50,000	-	50,000
TERANA, Kim	-	79,335	29,527	49,808	-	49,808
GRANADOZIN, Rubben	34,347	50,000	34,764	49,583	-	49,583
NUNAG, Joemark	20,000	80,000	50,556	49,444	-	49,444
ALMENDARES, Jessica	-	53,700	4,583	49,117	-	49,117
JIMENEZ, Victor	38,583	50,000	39,972	48,611	-	48,611
CARREON, Ma. Cristina	85,153	-	36,972	-	48,180	48,180
CRESENCIA Rowena	50,278	50,000	52,917	47,361	-	47,361
LUNDANG, Luisito	31,000	50,000	33,778	47,222	-	47,222
SALVADOR, Rennier	37,500	50,000	40,833	46,667	-	46,667
RAMOS, Mario	22,222	50,000	25,833	46,389	-	46,389
DUNGAO, Anita	85,861	30,000	69,750	30,000	16,111	46,111

A. SORIANO CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2018

	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
DIAZ Michael	43,667	50,000	48,250	45,417	-	45,417
MANALOTO, Joven	81,667	-	36,583	-	45,083	45,083
NUNAG, Ronaldo	15,708	50,000	20,708	45,000	-	45,000
MACAPAGAL James D	11,111	50,000	16,667	44,444	-	44,444
BATENGA Raymund	65,278	50,000	70,972	44,305	-	44,305
GALANG Joseph	18,889	50,000	24,722	44,167	-	44,167
DONATO Jose	79,305	-	35,292	-	44,014	44,014
SUMALE, Jovy	25,744	50,000	31,944	43,800	-	43,800
CUEVAS Jonathan	43,056	50,000	51,250	41,806	-	41,806
CALEJESAN, Yhellen	33,333	50,000	41,667	41,667	-	41,667
BAIS, Alejandro	31,250	50,000	39,583	41,667	-	41,667
QUIBALLO, Rhandel	27,778	50,000	37,500	40,278	-	40,278
BUNDALIAN Raymond	18,056	50,000	28,055	40,000	-	40,000
JUGO, Reden	-	90,000	50,000	40,000	-	40,000
MAGBAG, Jane	35,000	50,000	45,000	40,000	-	40,000
GAPAY, Gayford	16,667	50,000	26,667	40,000	-	40,000
CLAVERIA Rolando	17,097	50,000	27,375	39,722	-	39,722
TUMANG Joenar	22,361	50,000	33,139	39,222	-	39,222
CARATIQUIT Kent Darien	40,278	50,000	51,389	38,889	-	38,889
CUREG Joferson	13,889	50,000	25,000	38,889	-	38,889
ESTRELLA, Jason	51,290	50,000	62,913	38,377	-	38,377
AGUSTIN Oscar	35,505	50,000	47,167	38,338	-	38,338
BAIS Arnold	5,458	50,000	17,680	37,778	-	37,778
BENITEZ Napoleon	32,958	50,000	45,458	37,500	-	37,500
ASIS, Joanalyn	-	90,000	52,500	37,500	-	37,500
AGUAS Eduard Jon	27,778	50,000	40,417	37,361	-	37,361
CABUSAO Joel	15,708	50,000	28,764	36,944	-	36,944
CLAVEL Omar	66,833	-	30,139	-	36,694	36,694
EQUIZ, Willy	36,111	50,000	50,000	36,111	-	36,111
DAVID Dexter Gerald	17,000	50,000	31,000	36,000	-	36,000
BAJAO, Rolando Danilo	12,750	78,000	56,000	34,750	-	34,750
PEDROSA, Jay	6,278	50,000	21,555	34,722	-	34,722
RAMOS, Christian	-	50,000	15,278	34,722	-	34,722
MALIHAN, Anthony	20,833	50,000	36,458	34,375	-	34,375
ONG, Joseph	-	60,000	25,833	34,167	-	34,167
DUMADAG, Gilbert	-	33,739	-	33,739	-	33,739
SY, Deborah	-	33,463	-	33,463	-	33,463
GANNABAN, Benjie	24,800	50,000	41,467	33,333	-	33,333
CORNEZ, Jay	-	50,000	16,667	33,333	-	33,333
LAYUG, Samuel	12,930	50,000	29,597	33,333	-	33,333
PEREGRINO, Ricardo	14,444	50,000	31,111	33,333	-	33,333
PAYANG, Diana	42,500	50,000	60,556	31,944	-	31,944
GADEN, Nicanor	30,542	50,000	49,153	31,389	-	31,389
FLORES Jr., Vicente	58,901	31,374	58,901	31,374	-	31,374
OROZCO, Emelinda P.	64,559	-	33,541	-	31,018	31,018
ABUY Deuel	84,722	-	54,167	-	30,556	30,556
SANTOS, Jonathan	25,778	50,000	45,361	30,417	-	30,417
DEZA Joel	14,208	50,000	33,792	30,417	-	30,417
PALABRICA, Antonio	-	30,000	-	30,000	-	30,000
OCAMPO, Reichel	4,167	50,000	24,167	30,000	-	30,000
BRUNO, Rachel	57,000	10,000	37,556	10,000	19,444	29,444
SANGCO, Jestrael	-	50,000	21,071	28,929	-	28,929
TARING, Ghemar	1,611	50,000	23,000	28,611	-	28,611
ALCIBAR Michael	-	50,000	21,389	28,611	-	28,611
LACTAOTAO, Sander	48,611	50,000	70,556	28,056	-	28,056
SEVILLANO, Julius	8,333	50,000	30,278	28,055	-	28,055
TOLENTINO, Angelito	42,111	-	14,167	-	27,944	27,944
ESPINO, Cristobal	7,083	50,000	29,305	27,778	-	27,778
DUPITAS, Gilbert	-	27,560	-	27,560	-	27,560
BANIQUED Jessie	-	60,000	32,500	27,500	-	27,500
MARTINEZ, Joel	5,778	50,000	29,389	26,389	-	26,389
GUTIERREZ, Manrico	22,500	24,531	22,500	24,531	-	24,531
ESCOTO Erwin	16,583	50,000	42,417	24,167	-	24,167
LEE, Ismael	43,056	50,000	69,028	24,027	-	24,027
GUTIERREZ, Mario	20,167	50,000	46,417	23,750	-	23,750
MANALO, Emilia	-	43,990	20,287	23,703	-	23,703
ASIO Delmar	45,000	-	21,667	-	23,333	23,333
YANGO Herma	20,972	50,000	47,650	23,322	-	23,322
MENDOZA, Wendell	45,833	50,000	73,333	22,500	-	22,500
RIVERA, Ronard	8,875	50,000	36,792	22,083	-	22,083
PASION, Albert	25,000	50,000	53,000	22,000	-	22,000
FLORES, Rommel	30,000	50,000	58,143	21,857	-	21,857
NABONG, Michael	64,583	-	43,750	-	20,833	20,833
BALAGTAS Victoria	8,333	50,000	37,500	20,833	-	20,833
GUTIERREZ, Bernadette	12,500	20,000	12,500	20,000	-	20,000
MALLARI, Richard Felix	48,611	-	29,167	-	19,444	19,444

A. SORIANO CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2018

	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
DATANG Jesus	25,681	50,000	56,681	19,000	-	19,000
OLIDAR, Allan	44,245	-	25,357	-	18,889	18,889
SANCHEZ, Ramcy	7,205	30,719	19,500	18,424	-	18,424
DAVID Mary Jeane	-	50,000	31,806	18,194	-	18,194
MUERTEGUE, Salve	34,493	50,000	66,438	18,055	-	18,055
DELA CRUZ, Warren	6,250	50,000	38,625	17,625	-	17,625
SAHAGUN Joel	41,667	-	24,167	-	17,500	17,500
FRIAS, Noly	14,583	50,000	47,917	16,667	-	16,667
VILLANUEVA, Enrico	11,111	50,000	44,445	16,667	-	16,667
BALANDITAN, Walter	16,667	50,000	50,000	16,667	-	16,667
TAYAG, Ramiel	50,000	-	33,333	-	16,667	16,667
PLETE, Elsie	9,167	54,400	47,400	16,167	-	16,167
LEYVA, Venus	-	50,000	34,000	16,000	-	16,000
GUEVARRA, Marlon	44,444	-	29,167	-	15,278	15,278
FERNANDEZ, Joselito B.	11,900	48,000	45,050	14,850	-	14,850
CALMA, Homer	-	50,000	36,111	13,889	-	13,889
ADAOAG Antonio	44,444	-	30,556	-	13,889	13,889
BAIS, Normita	9,468	17,000	13,113	13,355	-	13,355
LAYOLA, Nikki	-	40,000	26,667	13,333	-	13,333
AYRO Jensyl	46,917	-	33,611	-	13,305	13,305
PASCUA, Patrick	-	15,000	2,542	12,458	-	12,458
MAGAWAY, Pedro	68,194	-	55,833	-	12,361	12,361
LOPEZ, Jomar	-	50,000	37,778	12,222	-	12,222
HAPIN, Rina M.	65,300	750,586	803,876	12,010	-	12,010
PONDIVILLA, Ezra Lheen	-	18,000	6,000	12,000	-	12,000
FRANCISCO, Dianne Ros	17,277	60,000	65,736	11,542	-	11,542
CADIANG Jessie	10,417	-	-	-	10,417	10,417
CRUZ, Donabelle	6,360	50,000	46,160	10,200	-	10,200
DOMOGMA, Aileen	26,857	90,000	106,719	10,138	-	10,138
DELA CRUZ Vernon John	-	10,000		10,000	-	10,000
DUMANDAN, Analyn	40,000	50,000	80,000	10,000	-	10,000
ECITA, Arjay Paul	-	10,000	-	10,000	-	10,000
LOZANO, Raymond	-	10,000	-	10,000	-	10,000
TECHICO, Sonny	-	10,000	-	10,000	-	10,000
DE GUZMAN Jerry	38,889	-	29,167	-	9,722	9,722
MABUNGA John Dalton	38,889	-	29,167	-	9,722	9,722
BANIQUED Rustan	47,917	-	39,583	-	8,333	8,333
SANTOS, Valentino	22,917	-	17,083	-	5,833	5,833
CANLAS Ranillo	52,083	-	46,667	-	5,417	5,417
BUHION, Salome M.	13,037	1,662	9,286	1,662	3,752	5,414
GINESE, Pedrally	24,333	50,000	69,333	5,000	-	5,000
BACULANTA, Jaime	15,733	50,000	60,733	5,000	-	5,000
CASTRO, Joshua	212,996	88,165	296,166	4,995	-	4,995
CANLAS Michael	33,333	-	29,167	-	4,167	4,167
MONSANTO, Grazilde	48,056	50,000	95,278	2,778	-	2,778
FIGUEROA Jimmy	31,944	-	29,167	-	2,778	2,778
SICAT, Ariel	667,447	-	667,447	-	-	-
LEGASPI, Jason	303,238	-	303,238	-	-	-
NAVARRA, Sammy	245,873	-	245,873	-	-	-
SONZA, Arlene	137,853	-	137,853	-	-	-
SANTIAGO, Chevy	120,196	-	120,196	-	-	-
GROSPE, Veronica	80,771	-	80,771	-	-	-
JUAN, Salazar	58,000	-	58,000	-	-	-
SALAZAR, Juan	58,000	-	58,000	-	-	-
DEPANTE, Susan C.	41,920	1,578	43,498	-	-	-
CERVANTES, Carissa	38,800	-	38,800	-	-	-
MATEO, Dante	33,333	-	33,333	-	-	-
GUEVARRA, Ma. Corazon	33,333	-	33,333	-	-	-
NARISO, Jerome	30,556	-	30,556	-	-	-
LAXAMAN, Ren	19,100	-	19,100	-	-	-
LUPERA, Karl Lawrence	18,750	-	18,750	-	-	-
CAYOBIT, Jose	18,000	-	18,000	-	-	-
PANGILINAN, Ryan	17,667	-	17,667	-	-	-
MARTINEX, John Christian	10,500	-	10,500	-	-	-
Various	1,599,504	724,522	1,922,518	401,508	-	401,508
	13,285,580	**17,878,630**	**16,868,389**	**12,707,878**	**1,587,942**	**14,295,820**

A. SORIANO CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2018

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
A. SORIANO CORPORATION RECEIVABLES FROM ITS SUBSIDIARIES												
Anscor Holdings, Inc.	15,757,486	-	12,182,650	1,728,124	12,182,650	14,029,362	26,212,012	working capital &	12,182,650		non-interest bearing	
Summerside Corporation	785,125	-	-	-	-	785,125	785,125	working capital	-		non-interest bearing	
Seven Seas Resorts & Leisure Inc.	76,386	-	65,297,443	65,216,381	157,448	-	157,448	dividends & working capital	65,297,443		non-interest bearing	
Pamalican Resorts, Inc.	(26,986)	-	7,921,104	7,921,104	-	(26,986)	(26,986)	management fee & others	7,921,104		non-interest bearing	management fee amounting to P650,000/month
A. Soriano Air Corporation	31,442,810	-	-	31,442,810	-	-	-	working capital	-		non-interest bearing	
Island Aviation Inc.	(70,938)	-	10,408,047	9,977,390	359,719	-	359,719	working capital	10,408,047		non-interest bearing	
Anscor Consolidated Corporation	7,867	-	640,326,295	603,809,367	36,524,795	-	36,524,795	dividends & working capital	640,326,295		non-interest bearing	
Phelps Dodge Philippines Energy Products Corporation	41,889,320	-	86,884,641	87,354,526	41,419,435	-	41,419,435	management fee & others	86,884,641		non-interest bearing	annual management fees amounting to P7.2 million plus certain percentages of audited income before tax and technical assistance fees.
Phelps Dodge International Philippines, Inc.	-		250,000,000	250,000,000	-	-	-	dividends	250,000,000		non-interest bearing	
AFC Agribusiness Corporation	4,515,000	-	2,160,000	-	2,160,000	4,515,000	6,675,000	working capital	2,160,000		non-interest bearing	
Sutton Place Holdings	-		(8,701,320)		(8,701,320)	-	(8,701,320)					
Cirrus Global, Inc.	(2,465,846)	-	2,465,846	-	-	-	-	working capital & investments	2,465,846		non-interest bearing	
IQ Healthcare Investments Limited	-		1,051,000	-	1,051,000	-	1,051,000	working capital	1,051,000		non-interest bearing	
Anscor International, Inc.	2,031,321,904	-	240,484,843	233,271,291	240,484,843	1,798,050,613	2,038,535,456	working capital & investments	240,484,843		non-interest bearing	
	2,123,232,128	**-**	**1,310,480,549**	**1,290,720,994**	**325,638,569**	**1,817,353,114**	**2,142,991,684**					
RECEIVABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)												
Pamalican Resort Inc. (ASAC direct receivables)	203,741	-	2,363,609	2,138,528	428,822	-	428,822	working capital	2,363,609		non-interest bearing	
Pamalican Resort Inc. (IAI direct receivables)	23,782,026	-	32,719,015	38,956,748	17,544,293	-	17,544,293	Air Service	32,719,015		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Seven Seas Resorts & Leisure Inc. (PIHI direct receivables)	616,784	-	-	616,784	-	-	-	working capital	-		non-interest bearing	
	24,602,551	-	35,082,624	41,712,060	17,973,115	-	17,973,115					
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
Island Aviation Inc. (direct receivable of PRI)	52,313,063	-	1,527,317	11,353,556	1,527,317	40,959,507	42,486,824	working capital	1,527,317	4.5% per annum	payable in ten equal annual installments starting March 31, 2013	
Island Aviation Inc. (direct receivable of Seven Seas)	10,200,000	-	16,407,651	-	16,407,651	10,200,000	26,607,651	working capital	16,407,651		payable in 20 quarters starting March 31, 2019	
Pamalican Island Holdings, Inc. (direct receivable of PRI)	19,386,476	-	-	19,386,476	-	-	-	working capital	-		non-interest bearing	
	81,899,539	-	17,934,968	30,740,032	17,934,968	51,159,507	69,094,475					
Sutton Place Holdings Inc. (Conso)												
A. Soriano Corporation (direct receivable of Sutton)	-	-	8,701,320	-	8,701,320	-	8,701,320	working capital &	8,701,320		non-interest bearing	
A. Soriano Corporation (direct receivable of CGI)	2,465,846	-	-	2,465,846	-	-	-	working capital & investments	-		non-interest bearing	
	2,465,846	-	8,701,320	2,465,846	8,701,320	-	8,701,320					
	108,967,936	**-**	**61,718,912**	**74,917,938**	**44,609,403**	**51,159,507**	**95,768,910**					

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions: Newly Consolidated Subsidiaries	Additions: Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Transactions: Nature	Transactions: Amount	Terms: Interest Rate	Terms: Payment Terms	Terms: Others
PAYABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)												
A. Soriano Corporation	31,371,872	-	10,408,047	41,420,201	359,719	-	359,719	working capital	10,408,047	7% per annum	Until June 15, 2016	
Seven Seas Resorts & Leisure Inc. (direct payable of IAI)	10,200,000	-	16,407,651		16,407,651	10,200,000	26,607,651	working capital	16,407,651		payable in 20 quarters starting March 31, 2019	
Pamalican Resort Inc. (direct payable of IAI)	52,313,063	-	1,527,317	11,353,556	1,527,317	40,959,507	42,486,824	working capital	1,527,317	5% per annum	payable in ten equal installments starting March 31, 2013	
Seven Seas Resorts & Leisure Inc. - (Direct payable of PIHI)	19,386,746	-	-	19,386,746	-	-	-	working capital	-		non-interest bearing	
	113,271,681	-	28,343,015	72,160,503	18,294,687	51,159,507	69,454,194					
ANSCOR CONSOLIDATED CORPORATION												
A. Soriano Corporation	7,867	-	640,326,295	603,809,367	36,524,795	-	36,524,795	dividends & working capital	640,326,295		non-interest bearing	
	7,867	-	640,326,295	603,809,367	36,524,795	-	36,524,795					
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
A.Soriano Corporation ((direct payable of PRI)	(26,986)	-	7,921,104	7,921,104	-	(26,986)	(26,986)	working capital	7,921,104		non-interest bearing	
A.Soriano Corporation (direct payable of SSRLI)	76,386	-	65,297,443	65,216,381	157,448	-	157,448	dividends & working capital	65,297,443		non-interest bearing	
A. Soriano Air Corporation (direct payable of PRI)	203,741	-	2,363,609	2,138,528	428,822	-	428,822	working capital	2,363,609		non-interest bearing	
Island Aviation, Inc. (direct payable of PRI)	23,782,026	-	32,719,015	38,956,748	17,544,293	-	17,544,293	Air Service	32,719,015		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Pamalican Island Holdings, Inc. (ASAC- Conso)	616,784	-	-	616,784	-	-	-	working capital	-		non-interest bearing	
	24,651,951	-	108,301,171	114,849,546	18,130,563	(26,986)	18,103,577					
PHELPS DODGE INTERNATIONAL PRODUCTS PHILIPPINES, INC. (PDIPI) - Conso												
A. Soriano Corporation (direct payable of PDP Energy)	41,889,320	-	86,884,641	87,354,526	41,419,435	-	41,419,435	management fee & others	86,884,641		non-interest bearing	annual management fees amounting toP7.2 million plus certain percentages of audited income before tax and technical assistance fees.
A. Soriano Coporation (direct payyable of PDIPI)	-		250,000,000	250,000,000	-	-	-	dividends	250,000,000		non-interest bearing	
	41,889,320	-	86,884,641	87,354,526	41,419,435	-	41,419,435					
ANSCOR HOLDINGS INC. (Conso)												
A. Soriano Corporation	15,757,486	-	12,182,650	1,728,124	12,182,650	14,029,362	26,212,012	working capital	-		non-interest bearing	
	15,757,486	-	12,182,650	1,728,124	12,182,650	14,029,362	26,212,012					
Summerside Corporation (Conso)												
A. Soriano Corporation	785,125	-				785,125	785,125	working capital	-		non-interest bearing	
	785,125	-	-	-	-	785,125	785,125					
AFC Agribusiness Corporation												
A. Soriano Corporatin	4,515,000	-	2,160,000	-	2,160,000	4,515,000	6,675,000	working capital	2,160,000		non-interest bearing	
	4,515,000	-	2,160,000	-	2,160,000	4,515,000	6,675,000					

A. SORIANO CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2018

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
Anscor International (Conso)												
A. Soriano Corporation (direct payable of AI)	2,031,321,904	-	240,484,843	233,271,291	240,484,843	1,798,050,613	2,038,535,456	working capital & investments	240,484,843		non-interest bearing	
A. Soriano Corporation (direct payable of IQ Healthcare Investments Limited)	-		1,051,000	-	1,051,000	-	1,051,000	working capital	1,051,000		non-interest bearing	
	2,031,321,904	-	241,535,843	233,271,291	241,535,843	1,798,050,613	2,039,586,456					
	2,232,200,334	**-**	**1,119,733,615**	**1,113,173,356**	**370,247,972**	**1,868,512,621**	**2,238,760,594**					

A. SORIANO CORPORATION AND SUBSIDIRIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2018
(Amounts in PHP)

Description	Beginning Balance	Additions at cost	Deductions: Charged to cost & expenses	Deductions: Charged to other accounts	Other Changes: Additions	Other Changes: Deductions	Ending Balance
PREPAYMENTS AND OTHER CURRENT ASSETS							
Prepaid expenses and others	18,036,082	10,968,281	-	-	-	-	29,004,363
Deposits	30,845,727	-	-	26,683,296	-	-	4,162,431
Prepaid taxes and Input VAT	11,357,902	541,503	-	-	-	-	11,899,405
Others	7,985,151	-	-	7,985,151	-	-	-
	50,188,780	-	-	34,668,447	-	-	16,061,836
	68,224,862	11,509,784	-	34,668,447	-	-	45,066,199
GOODWILL							
Seven Seas Resorts and Leisure Inc.	99,330,987	-	-	-	-	-	99,330,987
Phelps Dodge International Philippines, Inc.	1,202,945,277	-	-	-	-	-	1,202,945,277
	1,302,276,264	-	-	-	-	-	1,302,276,264
OTHER NONCURRENT ASSETS							
Fund for villa operations	91,846,387	2,558,753	-	-	-	-	94,405,140
Deposits to supplier	56,461,954	45,343,562	-	-	-	-	101,805,516
Computer software	13,845,662	-	1,880,828	-	-	-	11,964,834
Deferred nurse cost	2,099,165	-	-	-	-	2,099,165	-
Refundable deposits	691,203	735,165	-	-	-	-	1,426,368
Others	9,694,055	-	-	-	23,470	-	9,717,525
Total	174,638,426	48,637,480	1,880,828	-	23,470	-	219,319,383

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A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
AS OF DECEMBER 31, 2018
(Amounts in PHP)

Title of issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under caption "Current portion of long-term debt" in related balance sheet	Amount Shown under caption "Long-term debt - net of current portion" in related balance sheet
Loan availed by Anscor:			
Bank of the Philippine Islands (Note 1)	591,525,000	473,220,000	118,305,000
Loan availed by PDP:			
BDO UNIBANK (Note 2)	530,000,000	151,428,571	378,571,429
Loan availed by IAI:			
Bank of the Philippine Islands (Note 3)	16,562,700	11,041,800	5,520,900
Total	1,138,087,700	635,690,371	502,397,329

Note 1 - On of June 24, 2013, the Company obtained a total loan amounting to US$45.0 million or P1,997.8 million to finance the investments in shares of stock of AG&P. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to P1,185.1 million as of December 31, 2018. This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As of December 31, 2018, the company is in compliance with the debt covenants.

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

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

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

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

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

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

Note 3 - In 2014, IAI converted the short-term loan amounting to $1.1 million (P47.0 million) to long-term loan . The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

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

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

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018 AND 2017
(Amounts in PHP)

PARTICULARS	Balance at beginning of period	Balance at end of period
Due From:		
Multi-media Telephony, Inc. (MTI) (Notes 1)	**564,769,510**	**564,769,510**
Others (Note 2)	**815,551**	**81,725,802**
	565,585,061	**646,495,312**
Less Allowance for Doubtful Accounts	**564,761,343**	**564,761,343**
RECEIVABLE - NET	**823,718**	**81,733,969**

-

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

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

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

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

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

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2018
(Amounts in PHP)

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

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
AS OF DECEMBER 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares issued & Outstanding		Number of shares Reserved for Options,Warrants Conversions & Other Rights	Number of shares Held by		
					related parties	Directors, Officers & employees	Others
Common Stock	3,464,310,958	2,500,000,000		NA			
Treasury shares		-					
No. of shares issued (no. of shares outstanding - legal)		2,500,000,000			1,288,088,646	678,242,147	533,669,207
No. of shares held by a subsidiary (Anscor Consolidated Corporation)		(1,288,088,646)	*				
No. of shares outstanding		1,211,911,354					

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 P32.2 million (5,261,900 shares) and P98.0 million (15,420,000 shares) in 2018 and 2017, respectively.

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

Company Reg. No. PW-02

CERTIFICATE OF FILING OF AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

A. SORIANO CORPORATION

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

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

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

AMENDED BY-LAWS
OF
A. SORIANO CORPORATION

ARTICLE I

CAPITAL STOCK AND SHARES

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

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

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

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

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

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

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

ARTICLE II

FUNDS OF THE CORPORATION

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

ARTICLE III

MEETINGS

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

EXECUTIVE COMMITTEE

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

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

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

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

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

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

ARTICLE VI

OFFICERS

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

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

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

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

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

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

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

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

Directors;

g. To make reports to the Directors and Stockholders;

h. To sign certificates of stock; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chief Operating Officer.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

ARTICLE VIII

AUDIT OF BOOKS

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

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

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

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

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

ARTICLE IX

DISTRIBUTABLE FUNDS AND DISSOLUTION OF THE CORPORATION

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

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

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

ARTICLE X

MISCELLANEOUS AND TRANSITORY PROVISIONS

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

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

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

STOCKHOLDERS' CERTIFICATE

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

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

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

DIRECTORS' CERTIFICATE

Manila, February 5, 1930

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

SGD.) A. SORIANO

(SGD.) FRANCISCO ORTIGAS

(SGD.) JOHN R. SCHULTZ

(SGD.) BENITO RAZON

ATTEST:

(SGD.) BENITO RAZON
Secretary

INFORMATION STATEMENT

A. SORIANO CORPORATION

A. SORIANO CORPORATION

Notice of Annual Meeting of Stockholders

NOTICE IS HEREBY GIVEN that the regular Annual Meeting of Stockholders of A. Soriano Corporation (“ANSCOR” or the “Company”) will be held on Wednesday, 10 April 2019 at 10:00 a.m. at the Rigodon Ballroom, Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, 1226 Makati City, Philippines.

The agenda for the meeting is as follows:

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

Only stockholders of record in the books of the Company at the close of business on 12 March 2019 will be entitled to vote at the meeting. The list of stockholders entitled to vote will be available for inspection at the office of A. Soriano Corporation, 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, ten (10) days prior to the Annual Meeting.

Stockholders are requested to complete, date, sign, and return the enclosed proxy form to reach the Company as promptly as possible not less than ten (10) working days prior to the Annual Meeting or not later than 25 March 2019. The giving of such proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

Proxy validation will be held at A. Soriano Corporation, 7th Floor, Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue, Makati City on 2 April 2019 from 11:00 a.m. to 12:00 noon.

Makati City, Philippines, 14 March 2019.

THE BOARD OF DIRECTORS
By:

LORNA PATAJO-KAPUNAN
Corporate Secretary

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

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

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

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

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

4. SEC Identification Number : PW - 02

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

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

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

8. Date, Time and Place of the meeting : 10 April 2019, Wednesday at 10:00 A.M.
   Rigodon Ballroom
   Manila Peninsula Hotel
   Ayala Avenue corner Makati Avenue
   1226 Makati City, Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders : On or before 14 March 2019

10. In case of Proxy Solicitations
    Name of Person Filing the Statement/Solicitor : Atty. Lorna Patajo-Kapunan,
    Corporate Secretary

    Address : 7th Floor, Pacific Star Bldg.,
    Makati Avenue corner Gil Puyat Avenue,
    1209 Makati City, Philippines

    Telephone Nos. : (632) 819-0251 to 60

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

    Title of Each Class : Common Shares

    Number of shares of Common Stock Outstanding or Amount of Debt Outstanding as of January 31, 2019 : 2,500,000,000

12. Are any or all of registrant's securities listed in a Stock Exchange? : Yes

    If so, disclose name of the Exchange : Philippine Stock Exchange

INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a)

Date	:	Wednesday, 10 April 2019
Time	:	10:00 A.M.
Place	:	Rigodon Ballroom Manila Peninsula Hotel Ayala Avenue corner Makati Avenue 1226 Makati City, Philippines
Principal Office	:	7th Floor, Pacific Star Building Makati Avenue corner Gil Puyat Avenue 1209 Makati City, Philippines

(b) This information statement and the enclosed proxy form will be mailed or delivered by messengerial service to stockholders entitled to notice of and to vote at the Annual Meeting on or before 14 March 2019.

Item 2: Dissenter's Right of Appraisal

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

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

(a) There are 2,500,000,000 shares of common stocks outstanding and issued as of 12 March 2019. All the issued shares are entitled to vote on a one (1) share - one (1) vote basis. The Company has only one class of shares.

(b) Only stockholders of record on the books of the Company at the close of business on 12 March 2019 will be entitled to vote at the Annual Meeting. Presence in person or by proxy of a majority of the shares of common stock outstanding on the record date is required for a quorum.

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

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

i. *Security Ownership of Certain Record and Beneficial Owners*

As of 31 January 2019, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,288,442,146*	51.538%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	505,803,667	20.232%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	169,646,329	6.786%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Filipino) (Depository Account)	Filipino	124,050,176	4.962%

* *Includes 386,269,843 shares lodged with PCD Nominee Corp. (Filipino).*

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

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which ATRAM Trust Corporation is the sole owner of more than 5%, specifically 35.039%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. Shares owned by Deerhaven, LLC are indirectly owned by Andres Soriano III. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

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

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

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

ii. Securities Ownership of Directors and Management

As of 31 January 2019, the following are the security ownership of the Directors and Officers of the Company:

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

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

iii. Voting Trust Agreement

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

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

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

As of January 31, 2019 the foreign ownership level of total outstanding shares is 20.24%.

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

Item 5: Information required of Directors and Executive Officers

(a) Directors and Executive Officers

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

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

For this year, the Board of Directors set the deadline for nomination of Directors on February 22, 2019 since the Annual Stockholders' Meeting will be held one week earlier than usual.

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

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

Mr. Eduardo J. Soriano, the Vice Chairman, nominated on February 22, 2019 all the nominees for Directors including independent Directors contained in the information statement. Mr. Soriano is not related to any of the independent Directors nominated. No other nomination was submitted as of 22 February 2019.

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

The nominations for independent Directors complies with SRC Rule 38, which requires that a corporation with a class of equity securities listed for trading on the Philippine Stock Exchange or with assets in excess of Fifty Million Pesos (₱50,000,000.00) and having two hundred (200) or more holders, at least two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities shall have at least two (2) independent Directors or such independent Directors shall constitute at least twenty percent (20%) of the members of such Board.

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

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

ANDRES SORIANO III, age 67, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of International Container Terminal Services, Inc. (ICTSI) (July 1992 to present), and Manila Peninsula Hotel, Inc. (1986 to November 2018). Mr. Soriano was formerly the President and Chief Operating Officer of San Miguel Corporation and was subsequently the Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 64, Filipino, Director of the Company since 21 May 1980; Vice Chairman of the Company (1990 to present) and Treasurer (1990 to September 2018); Chairman of Anscor Holdings, Inc. (2012 to present); Member of the Board of Trustees and President of The Andres Soriano Foundation, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 72, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Phelps Dodge Philippines Energy Products Corporation (1999 to present), and Anscor Holdings, Inc. (2012 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present); KSA

Realty Corporation (2001 to present), ATRAM Investment Management Partners Corporation (2014 to present), T-O Insurance (2008 to present), and Sumifru, Singapore (2003 to present), and Philippine British Assurance Co. Inc. (Nov. 2011 to present); Chairman and Director of ArthaLand Corporation (2007 to present); Member of the Board of Trustees of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of the Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968), Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

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

OSCAR J. HILADO, age 81, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Union Galvasteel Corporation (March 2017 – present), Phinma Power Generation Corporation (1996 to present), Phinma Energy Corporation (April 2017 to present), Phinma Petroleum and Geothermal Corporation (April 2013 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Philex Mining Corporation (December 2009 to present), Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), Smart Communications, Inc., (May 2013 to present), Rockwell Land Corporation

(May 2015 to present) and Roxas Holdings, Inc. (March 2016 to present). Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company.

JOSE C. IBAZETA, age 76, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), ICTSI Ltd., and ICTHI, Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), President of Seven Seas Resorts & Leisure, Inc. (2008 to present), Pamalican Resort, Inc. (May 2011 to present) and Island Aviation, Inc. (March 2017 to present); Member of the Board, Atlantic Gulf & Pacific Company of Manila, Inc.; Member of the Board, Executive Committee, Chairman of the Audit Committee and Member of the Compliance Steering Committee of AG&P Group Holdings Ptd Ltd.; FieldCOM, Inc. and GAS Entec Co, Ltd.; Member of the Board and Treasurer of AGP Philippines Holdings I, Inc.; Member of the Board of Trustees, Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010). He is a graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), MBA from the University of San Francisco, (1968) and, MBA Banking and Finance from the New York University (1972).

ALFONSO S. YUCHENGCO III, age 59, Filipino, Director of Mapua Institute of Technology (1999 to present); Chairman of Testech, Inc. (2003 to present); Chairman of Prople, Inc. (2009 to present); Member of the Board of Trustees of SEIPI (2011 to present). He is a graduate of BS Asian Studies from De La Salle University (1981).

The following are the members of the Audit Committee, Compensation Committee, Executive Committee and Nomination Comittee for the period April 18, 2018 to April 9, 2019:

Audit Committee:

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

Compensation Committee:

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

Executive Committee:

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

Nomination Committee:

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

On April 10, 2019, the Board of Directors will elect the members of the different Board Committees during the Organizational Meeting of the Board of Directors to serve for the ensuing year.

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

LORNA PATAJO-KAPUNAN, age 65, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc.(2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015). Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo, Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010). Bar Examiner, Mercantile Law (1988). The Outstanding Women In The Nations Service (TOWNS) Awardee – Corporate Law (1995); Filipinas Women Network (FWN) Influential Women Award (2016); Columnist, Business Mirror "Legally Speaking"; Program Host/Commentator "Laban Para Sa Karapatan" DWIZ, 882 AM.

WILLIAM H. OTTIGER, age 51, Swiss, Senior Vice President and Corporate Development Officer; Treasurer of the Company (September 2018 to present); Director of Phelps Dodge International Philippines, Inc.; AG&P International and Prople, Inc.; Formerly with San Miguel Brewing Group and UBS Investment Bank; Graduate of Washington & Lee University, B.A. European History, (1990). London Business School, MBA, (2001).

NARCISA M. VILLAFLOR, age 56, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc., The Andres Soriano Foundation, Inc., Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation; Trustee of The Andres Soriano Foundation, Inc. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 56, Filipino, Vice President (joined the group in 1997); Director and General Manager of Anscor Holdings, Inc. (2000 to present); Director and President of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2015-2017); Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

JOSHUA L. CASTRO, age 44, Filipino, Vice President (April 2017 to present) and Assistant Corporate Secretary (2006 to present) of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. (2006 to present) and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation (2006 to present); Anscor Holdings, Inc. (2012 to present), and The Andres Soriano Foundation, Inc. (2006 to present). Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

SALOME M. BUHION, age 46, Filipino, Assistant Vice President - Accounting (April 2017 to present) and Accounting Manager (January 1998 to April 2017) of the Company; Assistant Manager, Business System Division (Support Management Group), Equitable PCI Bank, (1997); Auditor, SyCip Gorres Velayo & Co. (1994 to 1997); Certified Public Accountant.

MA. VICTORIA L. CRUZ, age 54, Filipino, Assistant Vice President of the Company (April 2017 to present); Executive Secretary to the Chairman (September 1998 to March 2017). Ms. Cruz was formerly the Executive Assistant to the Head of Mission of the Embassy of Peru. She also worked with Shangri-La's Mactan Island Resort, John Clements Consultant's Inc. and the Mandarin Oriental Hotel, Manila. She received a Bachelor of Science degree major in Business Management from De La Salle University in 1984.

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

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

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

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

(f) Legal Proceedings
For the last five years and as of 31 January 2019, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

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

Item 6: Compensation of Directors and Executive Officers

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

Name	Principal Position	Compensation 2017 Actual	2018 Actual	2019 (Estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano	Vice Chairman			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
William H. Ottiger	Senior Vice President, Treasurer & Corporate Development Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Lorenzo D. Lasco	Vice President			
Joshua L. Castro	Vice President & Assistant Corporate Secretary			
Salome M. Buhion	Assistant Vice President			
Ma. Victoria L. Cruz	Assistant Vice President			
Salaries		₱ 65,046,721	₱ 67,953,963	₱ 51,668,733
Benefits		2,003,939	2,041,488	2,041,488
Bonus		48,925,000	51,750,000	25,025,000
Sub-Total Top Executive		115,975,660	121,745,451	78,735,222
Other Directors		15,120,714	15,410,714	11,971,786
Total		₱ 131,096,375	₱ 137,156,166	₱ 90,707,007

(b) Employment Contracts and Termination of Employment and Change-in Control Arrangements

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

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

Item 7: Independent Public Accountants

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

(b) In compliance with SRC Rule 68 paragraph 3(b) (IV) (Rotation of External Auditors), the SGV audit partner, as of December 2018, is Ms. Julie Christine C. Ong-Mateo who is on her fifth year of audit engagement.

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

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

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

Year	Audit Fees
2018	**₱ 1,275,000**
2017	₱ 1,362,800

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

(f) Tax Consultancy and Other Fees
The consultancy paid by the Company to SGV for the year 2018 amounted to ₱3,104,350.

Item 8: Compensation Plan

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or issuance of securities other than exchange

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

Item 10: Modification or Exchange of Securities

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

Item 11: Modification or Exchange of Securities

The audited financial statements (in the annual report) as of December 31, 2018, Management's Discussion and analysis, market price of shares and dividends and other data related to the Companies' financial information are attached hereto as "Annex B".

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

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

Item 13: Acquisition or Disposition of Property

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

Item 14: Restatement of Accounts

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) which became effective beginning January 1, 2018. The Group will also adopt several amended and revised standards and interpretations in 2019 and 2020.

D. OTHER MATTERS

Item 15: Action with Respect to Reports

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

(a) Approval of Minutes of Annual Meeting of Stockholders on 18 April 2018

The Minutes of Annual Meeting of Stockholders of the Company held on 18 April 2018 (“Minutes”) will be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholders’ approval and action on those items had already been obtained in that meeting and subsequently carried out.

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

Summary of the Minutes of 18 April 2018:

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

1. Approval of the Annual Report and Audited Financial Statements as of 31 December 2017 and ratification of all acts, contracts, investments and resolutions of the Board as set forth in the minutes of the Board of Directors.
2. Election of the members of the Board of Directors.
3. Appointment of external auditors.

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

(b) Approval of 2018 Audited Financial Statements

The Audited Financial Statements of the Company for the period ended 31 December 2018 will be submitted for approval of the stockholders at the Annual Meeting.

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

(c) Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since February 22, 2018 Meeting.

As a matter of corporate policy, Management seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since 22 February 2018. These are reflected in the Minutes of the meetings of the Board of Directors in their regular reports and disclosures to the Securities and Exchange Commission, and the Philippine Stock Exchange, and in the 2018 Annual Report of the Company. For reference, attached herewith (**Annex A**) is a list of all the resolutions approved by the Board of Directors since 22 February 2018 which are the subject of ratification by the stockholders.

Item 16: Matters Required to be Submitted

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

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

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

Item 18: Other Proposed Actions

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

Item 19: Voting Procedures

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

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

Stockholders as of 12 March 2019 may vote at the scheduled Stockholders Meeting.

Registration of stockholders and proxies attending the meeting will open at 9:00 a.m. on 10 April 2019.

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

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

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

Other Matters

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

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 14 March 2019.

LORNA PATAJO-KAPUNAN
Corporate Secretary

ANNEX A

Resolutions Approved During the Meetings of the Board of Directors of A. Soriano Corporation for the Period February 22, 2018 to February 21, 2019

1. **Board Meeting held on February 22, 2018**

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

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

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

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

Regular Cash Dividend – Twenty Centavos (₱0.20) per share
Special Cash Dividend – Thirty Centavos (₱0.30) per share

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

1.4 RESOLVED, that the appropriation of unrestricted retained earnings of the Company for the year 2017 amounting to ₱1.6 billion is hereby extended for another three years for its investment in business activities related to digital technology, services, retail and manufacturing, whether based in the Philippines or offshore.

2. **Board Meeting held on April 18, 2018**

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

2.2 RESOLVED, as it is hereby resolved, that the Integrated Annual Corporate Governance Report (I-ACGR) of the Corporation pursuant to SEC Memorandum Circular No. 15, Series of 2017 is hereby approved.

2.3 RESOLVED, that the Corporation be, as it is hereby, authorized to enter into transaction and/or avail of products or facilities of, or brokered by, or through the intermediation of the BANK OF THE PHILIPPINE ISLANDS (“Bank”), or any of its branches, affiliates, and wholly / partly owned subsidiaries, including but not limited to, cash management services, phone / electronic / internet banking facilities, safety deposit boxes, cash and check collection/pick-up arrangements, placements and / or purchase of debt papers, negotiable instruments, trust placements and similar transactions as the Corporation may deem reasonable, beneficial and in the furtherance of the interests of the Corporation;

RESOLVED, that the Corporation’s Authorized Signatories be, as they are hereby authorized to sign, for and in behalf of the Corporation any documents, papers, instruments, instructions, forms, agreements, or contracts as may be appropriate and/ or required for the implementation of the foregoing powers / transactions, authorized above including but not limited to the power to delegate any and all of the foregoing authorities/ powers, and the nomination of users, authorizers and transaction requirements to any of the Corporation’s officers through a signed letter of instruction or a duly executed instrument and other particular form/s required by and delivered to the Bank for the purpose.

RESOLVED, that any two (2) of the following, are designated as the Authorized Signatories of the Corporation:

NAME	**POSITION**
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President & CFO
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Vice President & Asst. Corporate Secretary

RESOLVED, Further, that SALOME M. BUHION, Assistant Vice President – Accounting Dept., is hereby designated as the Corporation’s System Administrator for the Cash Management Services/Facilities availed by the Corporation with the Bank with full power and authority to perform administrative functions including but not limited to definition, modification and deletion of company users (makers and authorizers) and update of company information in the online platform;

RESOLVED, that the Corporation warrants that the Corporation obtained all necessary authorizations and consents as may be required by applicable confidentiality and data privacy laws or agreement to enable the Bank to process any information (including personal information) of an individual submitted by the Corporation to the Bank in connection with its authorization to avail and/or availment of Cash Management Services/Facilities from the Bank;

RESOLVED, finally, that the Corporation agrees to hold free and harmless as well as indemnify the Bank, its stockholders, directors, officers, employees and representatives from any and all liabilities, claims, suits, charges or expenses, of whatever nature arising out of, in connection with or by virtue of the implementation of the above-mentioned resolutions.

2.4 RESOLVED, that A. Soriano Corporation (the "Corporation") is hereby authorized to acquire Ocmador Philippines, BV's 34,498 common shares (the "Shares") in KSA Realty Corporation under such terms and conditions that may be for the best interest of the Corporation;

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, and/or Atty. Joshua L. Castro, Vice President and Assistant Corporate Secretary, are hereby authorized to sign, execute and deliver, for and on behalf of the Corporation, the Share Purchase Agreement, Escrow Agreement, Deed of Absolute Sale of Shares, Waiver and Release in favor of the Seller, Ocmador Philippines, BV and its Nominees and such other agreements, documents, or instruments that are required or necessary to give full force and effect to this resolution.

2.5 RESOLVED, as it is hereby resolved, that the Corporation is authorized to invest in Fremont Holdings, Inc. (FHI) through the acquisition of the respective shareholdings of Andres Soriano III and Carlos Soriano in FHI equivalent to 25.5% of the total outstanding stock of FHI for the total amount of ₱179.5 million.

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby authorized to sign, execute and deliver, for and on behalf of the Corporation, the Deed of Absolute Sale of Shares and such other agreements, documents, or instruments that are required or necessary to give full force and effect to this resolution.

3. **Board Meeting held on July 5, 2018**

3.1 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is hereby authorized to invest the amount of US$9,000,000.00 in Power Source Group Holdings, Corporation under such terms and conditions as may be for the best interest of the Corporation.

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng is hereby authorized to sign any and all documents that may be required to give full force and effect to this resolution.

3.2 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is hereby authorized to invest the amount of US$10,000,000.00 in Technolux ("Technolux") under such terms and conditions as may be for the best interest of the Corporation.

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng is hereby authorized to sign any and all documents that may be required to give full force and effect to this resolution.

3.3 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is hereby authorized to invest the amount of US$5,000,000.00, based on valuation of US$9.25 billion, in Macquarie ASEAN Technology Investments Holdings GP Ltd. for Grab under such terms and conditions as may be for the best interest of the Corporation.

RESOLVED, FURTHER, that Mr. Ernest K. Cuyegkeng is hereby authorized to sign any and all documents that may be required to give full force and effect to this resolution.

3.4 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is empowered and authorized to renew its working capital facilities with Bank of the Philippine Islands (BPI) as follows:

FACILITY	**AMOUNT**
Revolving Promissory Note Line (RPNL)	₱ 500,000,000.00
Bills Purchase Line (BPL)	₱ 300,000,000.00
Long Term Loan (LTL)	₱ 1,000,000,000.00
Foreign Exchange Line	US$ 1,000,000.00
Corporate Guaranty Line (CGL)	₱ 20,000,000.00

RESOLVED, FURTHER, That any two (2) of the following officers of the Corporation, namely:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Vice President and Assistant Corporate Secretary

be authorized, as they are hereby authorized, directed and empowered, in the name and for the account of the Corporation, to negotiate for and enter into the foregoing transactions with BPI under such terms and conditions as may be acceptable to the aforementioned officers, and to execute, sign and deliver any and all promissory notes, instruments, agreements, contracts and documents that may be necessary and/or required for the implementation of the foregoing transaction;

RESOLVED, FINALLY, That all transactions, warranties, representations, covenants, dealings and agreements by the aforementioned officers of the Corporation with BPI prior to the approval of this Resolution are all hereby approved, confirmed and ratified to be the valid and binding acts, representations, warranties and covenants of the Corporation.

3.5 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is empowered and authorized to renew its working capital facilities with Banco de Oro (BDO) as follows:

FACILITY	AMOUNT
Credit Line	₱ 600,000,000.00
Domestic Bills Purchase Line	₱ 100,000,000.00
Foreign Exchange Settlement Line	₱ 100,000,000.00

RESOLVED, FURTHER, That any two (2) of the following officers of the Corporation, namely:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President and
Chief Financial Officer	
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Vice President and Assistant Corporate Secretary

be authorized, as they are hereby authorized, directed and empowered, in the name and for the account of the Corporation, to negotiate for and enter into the foregoing transactions with BDO under such terms and conditions as may be acceptable to the aforementioned officers, and to execute, sign and deliver any and all promissory notes, instruments, agreements, contracts and documents that may be necessary and/or required for the implementation of the foregoing transaction;

RESOLVED, FINALLY, That all transactions, warranties, representations, covenants, dealings and agreements by the aforementioned officers of the Corporation with BDO prior to the approval of this Resolution are all hereby approved, confirmed and ratified to be the valid and binding acts, representations, warranties and covenants of the Corporation.

4. **Board Meeting held on September 7, 2018**

4.1 RESOLVED, that the Board of Directors of the Corporation hereby approves the additional investment in YmAbs Therapeutics, Inc. amounting to US$2.0 million.

4.2. RESOLVED, To authorize the purchase of a motor vehicle from Cirrus Global, Inc. at the price of ₱1,858,200.00, inclusive of VAT; hereby authorizing Mr. Ernest K. Cuyegkeng, Executive Vice President and Chief Financial Officer, to execute and deliver the necessary agreements, deed of sale and other relevant documents that may be required to give full force and effect to this resolution.

4.3 RESOLVED, That Ms. Narcisa M. Villaflor, Vice President and Comptroller, is hereby appointed as the Company's authorized representative to Manila Electric Company in connection with the Company's SC Refund amounting to ₱369,938.40 under SIN No. 800624001 with service address at 8006 Andrews Pasay Default, Barangay Pasay City, Metro Manila; hereby authorizing Ms. Villaflor to sign any and all documents relative to the release of the aforesaid SC Refund.

4.4 RESOLVED, as it is hereby RESOLVED, that the Board of Directors hereby accepts the early retirement of Mr. Eduardo J. Soriano as Treasurer pursuant to the Retirement Plan of A. Soriano Corporation.

5. **Board Meeting held on November 28, 2018**

5.1 RESOLVED, that the Board of Directors of the Corporation hereby approves the additional investment in Element Data amounting to US$500,000.00.

5.2 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is empowered and authorized to transfer any of its funds to personal or individual account(s).

RESOLVED, FURTHER, That any two (2) of the following officers of the Corporation, namely:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Director
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Vice President and Assistant Corporate Secretary

be authorized, as they are hereby authorized, directed and empowered, in the name and for the account of the Corporation, to execute, sign and deliver any and all documents or instruments that are required or necessary to give full force and effect to this resolution.

5.3 RESOLVED, as it is hereby resolved, that any two (2) of the following officers of the Corporation, namely:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Director
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Vice President and Assistant Corporate Secretary

be the authorized representatives of the Corporation, authorized to sign for and in behalf of the Corporation for all its transactions related to foreign exchange dealing with TRIPLE E's MONEY EXCHANGE SHOP.

RESOLVED, FURTHER, that this Resolution shall remain valid and subsisting unless otherwise revoked or amended in writing by the Corporation.

6. **Board Meeting held on February 21, 2019**

6.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of A. Soriano Corporation for the year ended December 31, 2018 is hereby approved.

6.2 RESOLVED, as it is hereby resolved, that the deadline of submission of nominations for the election of directors shall be February 22, 2019.

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

Record Date – March 12, 2019
Proxy Validation Date – April 2, 2019
Date of Stockholders' Meeting – April 10, 2019

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

Regular Cash Dividend – Twenty Centavos (₱0.20) per share
Special Cash Dividend – Thirty Centavos (₱0.05) per share

on the common stock of the Corporation, both payable on April 10, 2019, to all stockholders of record as of the close of business on March 15, 2019, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

6.5 RESOLVED, tha the appropriation of unrestricted retained earnings of the Company for the year 2015 amounting to ₱1.7 billion is hereby extended for another three years for its investment in business activities related to digital technology, services, retail and manufacturing, whether based in the Philippines or offshore.

ANNEX B
MANAGEMENT REPORT

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

Description of General Nature and Scope of Business

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

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

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

As of 31st December 2018, the Company's consolidated total assets stood at ₱22.3 billion. For the year ended 31st December 2018, consolidated revenues of the Company amounted to ₱9.8 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries/ associates as of December 31, 2018:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
International Quality Healthcare Ltd.	100%	Manpower Services	Houston, Texas, United States
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	Houston, Texas, United States
Prople Limited, Inc.	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
AG&P International Holdings, Ltd.	27%	Modular Steel Engineering / Construction	British Virgin Island
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
AFC Agribusiness Corporation	81%	Agricultural Land Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines

Company	Ownership	Business	Jurisdiction
Summerside Corporation	40%	Real Estate Holding	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Fremont Holdings, Inc.	26%	Real Estate Holding	Philippines
ATRAM Investment Management Partner Corp.	20%	Asset Management	Philippines
Direct WithHotels	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Below are the Key Performance Indicators of the Group:

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

	Years Ended December 31		
	2018	2017 (As restated – Note 2)	2016 (As restated – Note 2)
REVENUES			
Sale of goods – net	₱ **8,292,509**	₱ 7,188,995	₱ 6,608,155
Services	**1,314,705**	1,059,796	910,979
Dividend income	**301,778**	270,687	218,798
Equity in net earnings - net of valuation allowance	**(262,184)**	(497,099)	(72,774)
Interest income	**109,516**	98,877	93,555
Sale of real estate	**–**	–	633,912
	9,756,323	8,121,256	8,392,626
INVESTMENT GAINS (LOSSES)			
Gain on increase in market values of FVPL investments	**33,493**	1,351,506	1,139,184
Gain (loss) on disposal of subsidiaries	**(6,111)**	1,097,862	343,158
Gain (loss) on sale of FVOCI investments	**(2,701)**	13,933	8,787
	24,681	2,463,301	1,491,128
TOTAL	**9,781,005**	10,584,557	9,883,754
INCOME BEFORE INCOME TAX	**1,252,042**	2,889,439	2,983,007
PROVISION FOR INCOME TAX	**347,219**	253,436	317,783
NET INCOME FROM CONTINUING OPERATIONS	**904,824**	2,636,004	2,665,224
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**–**	(47,637)	184,916

				Years Ended December 31		
		2018		2017 (As restated – Note 2)		2016 (As restated – Note 2)
NET INCOME		**904,823**		2,588,367		2,850,141
OTHER COMPREHENSIVE INCOME (LOSS)		**49,503**		(61,859)		196,906
TOTAL COMPREHENSIVE INCOME (LOSS)	₱	**954,326**	₱	2,526,508	₱	3,047,047
Net Income Attributable to:						
Equity holders of the Parent	₱	**808,387**	₱	2,547,459	₱	2,682,647
Noncontrolling interests		**96,437**		40,908		167,494
	₱	**904,823**	₱	2,588,367	₱	2,850,141
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the Parent	₱	**857,889**	₱	2,485,600	₱	2,879,553
Noncontrolling interests		**96,437**		40,908		167,494
	₱	**954,326**	₱	2,526,508	₱	3,047,047
Earnings Per Share						
Basic/diluted, for net income attributable to equity holders of the Parent	₱	**0.67**	₱	2.08	₱	2.18
Basic/diluted, for comprehensive income attributable to equity holders of the Parent	₱	**0.71**	₱	2.03	₱	2.34

Year 2018 Financial Performance

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

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

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

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

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

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

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

The loan balance of the parent company at the end of December 2018 was US$11.25 million, that will be fully paid by the first quarter of 2020. The book value per share of Anscor increased from ₱15.06 to ₱15.32 as of December 31, 2018.

A dividend of ₱0.50 per share, ₱0.20 per share regular and P0.30 per share special, was paid on April 18, 2018.

The Soriano Group Operations

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

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

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

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

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

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

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

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

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

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

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

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

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

AG&P INTERNATIONAL HOLDINGS, LTD.

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

More notably, the company secured several major wins which place it in a strong position in the coming years. In particular, AG&P won exclusive concessions to market, build infrastructure, and distribute natural gas to five major cities in India, covering a total population of thirty million people.

AG&P continues to develop LNG terminal projects around the world. Several of these are now in advance development, and are expected to reach financial close over the course of 2019. Further, AG&P secured several large construction projects in the Philippines and overseas, and has continued to grow its contracted backlog as its customers invest in expansion projects.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

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

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

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

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

KSA REALTY CORPORATION (owner of The Enterprise Center)

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

2018's gross rental revenue of ₱1.30 billion and net income of ₱964.0 million, before revaluation gain, were the highest in KSA's history, since it began operations in 1999. By year end, TEC's average rental rate was ₱1,320 per square meter, 5% higher than the average rental rate at the end of 2017. Gross revenue was 5% higher while net income, before revaluation gain, was 3% higher than last year.

KSA declared a cash dividend of ₱1.06 billion, which was the highest in its history, ₱151.4 million of this was paid to Anscor.

STARTUP AND PRIVATE EQUITY VENTURES

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

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

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

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

In August 2018, Anscor provided a US$4.5M convertible loan to Power Source Holdings, Inc. Power Source is a developer of renewable, off-grid power plants and currently owns a 20 Megawatt Hybrid power plant in Iligan, Lanao del Norte, 5 Micro grids in Palawan and Cebu, and provides technical services to several large power plants. It is also actively exploring domestic Solar opportunities. Anscor is currently conducting financial and legal due diligence on Power Source, with a view to potentially becoming an equity investor.

Other early stage investments include:

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

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

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

Other Information

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

Business Development

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

Business of the Issuer

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

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

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

	Periods ended December 31	
	2018	2017 (As Restated)
Revenues (excluding investment gains or losses)	**1,437,637**	919,499
Investment Gains (Losses)	**(475,201)**	1,541,972
Net Income	**733,025**	2,173,508
Total Comprehensive Income	**733,377**	2,201,291
Earnings Per Share		
Net Income	**0.31**	0.87
Total Comprehensive Income	**0.29**	0.88
Market Price Per Share (PSE)	**6.50**	7.04

Significant financial indicators of the Group are the following:

	12/31/2018	12/31/2017	12/31/2016
1. Book Value Per Share (Note 1)	**15.32**	15.06	13.13
2. Current Ratio (Note 2)	**7.48**	8.43	6.61
3. Interest Rate Coverage Ratio (Note 3)	**18.17**	32.34	42.40
4. Debt to Equity Ratio (Note 4)	**0.17**	0.19	0.30
5. Asset to Equity Ratio (Note 5)	**1.20**	1.22	1.33
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/ Total Revenues)	**8.26%**	24.07%	27.14%
7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**4.35%**	13.90%	6.87%

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

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

PDP Energy and PDIPI

In Million Pesos

	12/31/2018	12/31/2017	12/31/2016
1. Net sales	**8,293**	7,189	6,407
2. Gross profit	**1,231**	1,079	1,358
3. Net income	**636**	546	753

Seven Seas Group

In Million Pesos

	12/31/2018	12/31/2017	12/31/2016
1. Occupancy rate	**58.8%**	55.2%	44.4%
2. Hotel revenue	**1,100.8**	861.2	679.0
3. Gross operating profit (GOP)	**509.3**	332.8	240.4
4. GOP ratio	**46.0%**	39.0%	35.4%
5. Resort net income	**225.4**	99.5	36.7
6. Villa development/ lease net income	**9.9**	1.0	342.9
7. Consolidate net income	**235.3**	100.5	379.5

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

Outlook and Investment Strategy

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

Anscor will remain on course, undeterred, as it continually seeks strategic opportunities for the Company to further grow and evolve.

Employees

The Company and the Group as of December 31, 2018, has 22 and 691 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	10	181	191
Rank and file	12	488	500
TOTAL	**22**	**669**	**691**

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

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

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

Properties

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

Information regarding properties of major subsidiaries and affiliates are:

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

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. Additional 64 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2018.

- AHI has interests in land covering an area of approximately 111.39 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 40.41 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

- AFC Agribusiness has 97.4 hectares of land in Guimaras.

Other Information:

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

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

Financial Condition

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

There was no significant change in the Company's Balance Sheet as of December 31, 2018 versus December 31, 2017.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2018 and 2017.

Cash and Cash Equivalents
The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to ₱1.4 billion partially offset by cash generated from operating activities.

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

Fair Value Through Profit and Loss (FVPL) Investments
The decrease in the account can be attributed to the net disposal for the period amounted to ₱107.0 million. The decline in market value of local traded shares and foreign denominated investment in bonds, stocks and funds of ₱418.3 million was offset by the increase in market value of Y-mAbs investment which started to be traded in NASDAQ effective September 19, 2018. Unrealized foreign exchange gain related to foreign denominated investments amounts to ₱34.3 million.

Receivables
The decrease in receivables was mainly due to improved collection of the receivables of the subsidiaries.

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

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

Other Current Assets
Decrease in this account can be attributed mainly to applied deposits of the contractors and suppliers of the resort.

Fair Value Through Other Comprehensive Income (FVOCI) Investments – current and noncurrent
Net increase in this account amounted to ₱9.8 million. The increase can be attributed to net additions of ₱15.8 million and unrealized foreign exchange gain of ₱25.8 million partially offset decrease in market value of AFS investments of about ₱31.8 million.

Investments and Advances
The decrease in investments and advances were due share in net losses of associates amounted to ₱262.2 million. Additional investment made by the parent company amounting to ₱102.9 million and the unrealized foreign exchange gain related to foreign equity investment of ₱92.7 million.

Property, Plant and Equipment - net
Depreciation charged to operations amounted to ₱252.8 million while net additions to property and equipment amounted to ₱156.2 million mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Retirement Plan Assets
Changes in the retirement plant asset arises mainly from remeasurement of plan assets and withdrawal of retirement benefits.

Deferred Tax Assets
Increase in the account was mainly due to deferred tax effect of the allowance for impairment loss on receivables and inventories of the manufacturing subsidiary.

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

Notes Payable
Notes payable represent unsecured, short-term, interest-bearing liabilities of PDP.

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

Dividends Payable
Increase in the dividends payable was due to dividend checks issued in 2018 that were returned by the post office and which remained outstanding as of December 31, 2018 due to problematic addresses of some of the Company's stockholders.

Income Tax Payable
Movement in the account was attributable to the increase in the tax provision of PDP and the Resort Group for 2018.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to payment by the Parent Company and PDP of the loan principals in 2018 and unrealized foreign exchange loss of ₱59.4 million from the translation of the foreign denominated loan as of December 31, 2018.

Deferred Income Tax Liabilities
Increase in the account was mainly due to deferred tax effect of unrealized foreign exchange gain and fair value adjustment on FVPL investments, specifically for KSA.

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

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

Cumulative Translation Adjustment (CTA)
This account includes translation adjustments of Anscor International, Inc. due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by ₱89.9 million.

Equity reserve on acquisition of noncontrolling interest
The 2017 balance pertains equity reserve when Cirrus Global Inc. (CGI) was acquired as a subsidiary by Anscor. CGI was sold in September 2018.

Unrealized valuation gains on AFS investments (equity portion)
Decrease in the account is attributable to the decline in market values of FVOCI investments - bonds, from January 1 to December 31, 2018.

Remeasurement on Retirement Benefits
Decrease in the account was mainly due to net effect of the decrease in the retirement plan assets less retirement benefits payable.

Noncontrolling Interest (equity portion)
Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for the year 2018.

Others
There were no commitments for major capital expenditures in 2018.

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

The discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2018 as compared to consolidated results for the year ended December 31, 2017:

Revenues
This year's consolidated gross revenues of ₱9.8 billion was lower by ₱803.6 million from last year's revenue of ₱10.6 billion. 2017 revenues include gain of ₱1.1 billion from divesting Cirrus Medical Staffing, Inc. In addition, the gain on increase in market value of FVPL investments last year was ₱1.4 billion vs a gain of ₱33.5 million in 2018. These were offset by the increase in sales revenue of PDP Energy, which was higher by ₱1.1 billion or 15.4%. Also, resort operations reported improved revenues.

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

Services Rendered
Increase in cost services rendered was mainly attributable to higher cost of services of resort operation.

Operating Expenses
The Group reported higher operating expenses mainly due to increased expenses of the Resort due to its higher occupancy rate.

Interest Expense
Amount in 2018 was lower than 2017 due to payment of long-term loan by the Parent Company and PDP.

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

Provision for Income Tax - Net
The current provision for income tax of the Group increased due to higher taxable income of PDP and the Resort which reported higher profits for 2018.

Noncontrolling Interests (Statements of Income)
Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for the year 2018.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016 (both years as reported in SEC 17-A and before restatements in 2018)

Revenues
This year's consolidated gross revenues of ₱11.7 billion was lower by ₱202.2 billion from last year's revenue of ₱11.9 billion. The Group realized a ₱1.1 billion gain from divesting Cirrus Medical Staffing, Inc. Gains from the sale of AFS investments fell to ₱433.2 million, from ₱555.6 million in 2016, due to the decision to defer the sale of certain publicly traded shares that are expected to realize higher gains in the future. These decreases in revenues were offset by dividend income which improved by 24%, to ₱270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Service revenue of Cirrus Medical Staffing was consolidated only up to October 19, 2017. Also, the Group recognized revenue from the sale of two (2) villas by Seven Seas amounting to ₱635.5 million in 2016.

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

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

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

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

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

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

Others Charges – Net
For 2017, the Parent Company provided valuation allowances for AFS investments amounting to ₱125.6 million. Valuation allowances in 2016 were higher at ₱590.9 million.

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

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

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015 (both years as reported in SEC 17-A and before restatements in 2018)

Revenues
This year's consolidated gross revenues of ₱11.9 billion was higher by ₱1.0 billion from last year revenue of ₱10.7 billion. Service revenue, mainly of Cirrus Medical Staffing, was higher by ₱736.0 million or 26.8%, offset by lower investment gains by ₱146.2 million due mainly to lower gain on sale of traded shares. Also, the Group recognized a revenue from the sale of two (2) villas by Seven Seas amounting to ₱633.9 million in 2016.

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

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

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

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

Interest Expense
Amount in 2016 was slightly lower than 2015 due to payment of long-term loan by the Parent Company.

Others income (charges) - net
For 2016, the Parent Company provided valuation allowances for AFS investments amounting to ₱590.9 million. Valuation allowances in 2015 were higher at ₱805.2 million.

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

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

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 period beginning January 1, 2017.

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

December 31, 2017

	Note	As previously presented	Adjustments	As restated
Gain on sale of fair value investments	(a)	₱ 433,166,363	(₱ 419,233,798)	₱ 13,932,565
Gain (loss) on increase (decrease) in market values of fair value investments	(a), (b)	10,658,363	1,340,848,005	1,351,506,368
Investment gains (losses)		1,541,686,341	921,614,207	2,463,300,548
Other income (charges) - net	(b), (c)	9,684,243	42,644,524	52,328,767
Income before income tax		1,925,180,687	964,258,731	2,889,439,418
Provision for income tax	(c)	(255,815,726)	2,380,042	(253,435,684)
Net income		**1,669,364,961**	**966,638,773**	**2,636,003,734**
Unrealized valuation gains (loss) on FVOCI investments, net of tax	(a)	1,520,649,950	(1,508,479,939)	12,170,011
Realized loss (gain) of FVOCI investments, net of tax	(a)	(417,154,729)	407,401,934	(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 (loss) for the year		₱2,661,165,461	(₱ 134,657,635)	₱2,526,507,826
Earnings Per Share				
Basic/diluted, for net income attributable to equity holders of the Parent		₱ 1.29	₱ 0.79	₱ 2.08
Basic/diluted, for comprehensive income attributable to equity holders of the Parent		₱ 2.14	(₱ 0.11)	₱ 2.03

December 31, 2016

	Note	As previously presented	Adjustments	As restated
Gain on sale of fair value investments	(a)	₱ 555,619,230	(₱ 546,832,557)	₱ 8,786,673
Gain (loss) on increase (decrease) in market values of fair value investments	(a), (b)	20,589,122	1,118,594,620	1,139,183,742
Investment gains (losses)		919,366,371	571,762,063	1,491,128,434
Other income (charges) - net	(b), (c)	(531,999,778)	590,899,207	58,899,429
Income before income tax		1,820,346,242	1,162,661,270	2,983,007,512
Provision for income tax	(c)	(314,971,670)	2,811,440	(317,783,110)
Net income		**1,505,374,572**	**1,159,849,830**	**2,665,224,402**
Unrealized valuation gains (loss) on FVOCI investments, net of tax	(a)	1,175,213,241	(1,167,099,521)	8,113,720
Realized loss (gain) of FVOCI investments, net of tax	(a)	38,309,243	(44,459,914)	(6,150,671)
Other comprehensive income (loss) for the year		1,408,465,427	(1,211,559,435)	196,905,992
Total comprehensive income (loss) for the year		P3,098,756,111	(P 51,709,605)	P3,047,046,506
Earnings Per Share				
Basic/diluted, for net income attributable to equity holders of the Parent		₱ 1.24	₱ 0.94	₱ 2.18
Basic/diluted, for comprehensive income attributable to equity holders of the Parent		₱ 2.38	(₱ 0.04)	₱ 2.34

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

December 31, 2017

	Note	As previously presented	Adjustments	As restated
Assets				
FVPL investments	(a)	₱ 856,080,159	₱8,689,615,913	₱9,545,696,072
FVOCI investments - current	(a), (b)	–	30,165,459	30,165,459
Available-for-sale (AFS) investments - current		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), (b)	–	654,334,642	654,334,642
AFS investments - net of current portion		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**

	Note	As previously presented	Adjustments	As restated
Equity				
Unrealized valuation gains on FVOCI investments	(a)	3,003,271,945	(2,989,114,158)	14,157,787
Cumulative translation adjustment		295,800,724	(218,403)	295,582,321
Unappropriated retained earnings	(a), (b), (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 presented	Adjustments	As restated
Assets				
FVPL investments	(a)	₱ 769,680,131	₱ 7,461,691,056	₱ 8,231,371,187
FVOCI investments - current	(a), (b)	–	47,728,517	47,728,517
Available-for-sale (AFS) investments - current		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), (b)	–	800,096,535	800,096,535
AFS investments - net of current portion		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**

	Note	As previously presented	Adjustments	As restated
Equity				
Unrealized valuation gains on FVOCI investments	(a)	1,899,776,724	(1,888,036,153)	11,740,571
Unappropriated retained earnings	(a), (b), (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 FVPL, amortized cost, or 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 in banks, 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.

- 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 gain of ₱1,888.0 million that were previously presented under unrealized valuation gains on AFS investments, was reclassified to retained earnings as at January 1, 2017.

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

  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		
	Total	**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	270,441,093	–	–
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	**₱9,545,696,071**	**₱ 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		
	Total	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	2,027,489,952,367	–	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 recognized additional impairment on the Group's trade receivables and other debt instruments not held at fair value through profit or loss. Impairment losses, if any, do not reduce the carrying amount of debt instruments at fair value through OCI in the consolidated balance sheet, which remains at fair value.

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

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

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

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

  The Group adopted PFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

  The adoption of the standard has no significant impact on the Group's consolidated financial statements.

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

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

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

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

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

Effective beginning on or after January 1, 2019

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

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

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

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

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

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

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

- Amendments to PAS 19, *Employee Benefits*, *Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

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

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

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

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

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

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

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

<u>Other Financial information</u>

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

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

- There were no commitments for major capital expenditures in 2018 and onwards.

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

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

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

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

Financial Statements

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

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

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

Audited Financial Statements

The audited Financial Statements as of 31 December 2018 are included in pages 13 to 117 while the Statement of Management Responsibility is on page 12 of the 2018 Annual Report in the same CD containing this Information Statement.

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

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

III. External Audit Fees

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

In compliance with SRC Rule 68 paragraph 3(b) (IV) (Rotation of External Auditors), the SGV audit partner, as of December 2018, is Ms. Julie Christine C. Ong-Mateo who is on her fifth year of audit engagement.

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

Audit and Audit Related Fees

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

Year	Audit Fees
2018	**₱ 1,275,000**
2017	₱ 1,362,800

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

Tax Consultancy and Other Fees

Tax consultancy fees paid by the Company to SGV for the year 2018 amounted to ₱3,104,350.

IV. Market Price of Shares and Dividends

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

Philippine Stock Exchange
Latest Market Price – 31 January 2019

Previous close	High	Low	Close
6.50	6.50	6.50	6.50

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

	2018		2017	
Quarter	**High**	**Low**	**High**	**Low**
First	7.90	6.22	6.46	5.90
Second	6.60	5.95	6.95	6.00
Third	6.20	5.95	7.14	6.32
Fourth	6.54	6.10	7.09	6.70

Source: PSE Report

The total number of stockholders/accounts as of 31 January 2019 is 11,126 holding 2,500,000,000 shares of common stock.

Dividends

In 2018, the Board of Directors declared the following cash dividends:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	**0.20**	**22-Feb-18**	**26-Mar-2018**	**18-Apr-2018**
Special	**0.30**	**22-Feb-18**	**26-Mar-2018**	**18-Apr-2018**

The cash dividends declared by the Board of Directors in 2017 was:

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

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of 31 December 2018, the Company has sufficient retained earnings available for dividend declaration.

On February 21, 2019, the Board of Directors approved the declaration of ₱0.25 per share (₱0.20 per share regular and ₱0.05 per share special) to stockholders of record as of March 15, 2019, to be paid on April 10, 2019.

Security Holders

The top 20 stockholders as of 31 January 2019 are as follows:

Stockholder Name	Number of Common Shares	% of Ownership
1. Anscor Consolidated Corporation*	1,288,442,146	51.538
2. PCD Nominee Corp. (Non-Filipino)	455,313,402	18.220
3. A-Z Asia Limited Philippines, Inc.	169,646,329	6.786
4. PCD Nominee Corp. (Filipino)	130,593,578	5.244
5. Universal Robina Corporation	64,605,739	2.584
6. Philippines International Life Insurance Co., Inc.	57,921,593	2.200
7. Andres Soriano III	50,490,265	2.020
8. C & E Holdings, Inc.	28,011,922	1.120
9. Edmen Property Holdings, Inc.	27,511,925	1.100
10. MCMS Property Holdings, Inc.	26,513,928	1.061
11. Express Holdings, Inc.	23,210,457	0.928
12. EJS Holdings, Inc.	15,518,782	0.621
13. Intelli Searchrev Corporation	8,785,600	0.351
14. DAO Investment & Management Corporation	8,628,406	0.345
15. Philippines Remnants Co., Inc.	7,556,183	0.302
16. Astraea Bizzara Corporation	3,292,615	0.132
17. Balangingi Shipping Corporation	2,767,187	0.111
18. Northpaw Incorporated	2,705,000	0.108
19. Jocelyn C. Lee	2,000,000	0.080
20. Lennie C. Lee	2,000,000	0.080
Total	**2,368,971,655**	**94.697**

** Includes 386,269,843 shares lodged with PCD Nominee Corp. (Filipino)*

.

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

V. Compliance with Leading Practice on Corporate Governance

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

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

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

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

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

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

As of 31 January 2019, there were no deviations from the Company's Manual on Corporate Governance.

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and its subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated February 21, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-3 (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332594, January 3, 2019, Makati City

February 21, 2019

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

ANNEX C

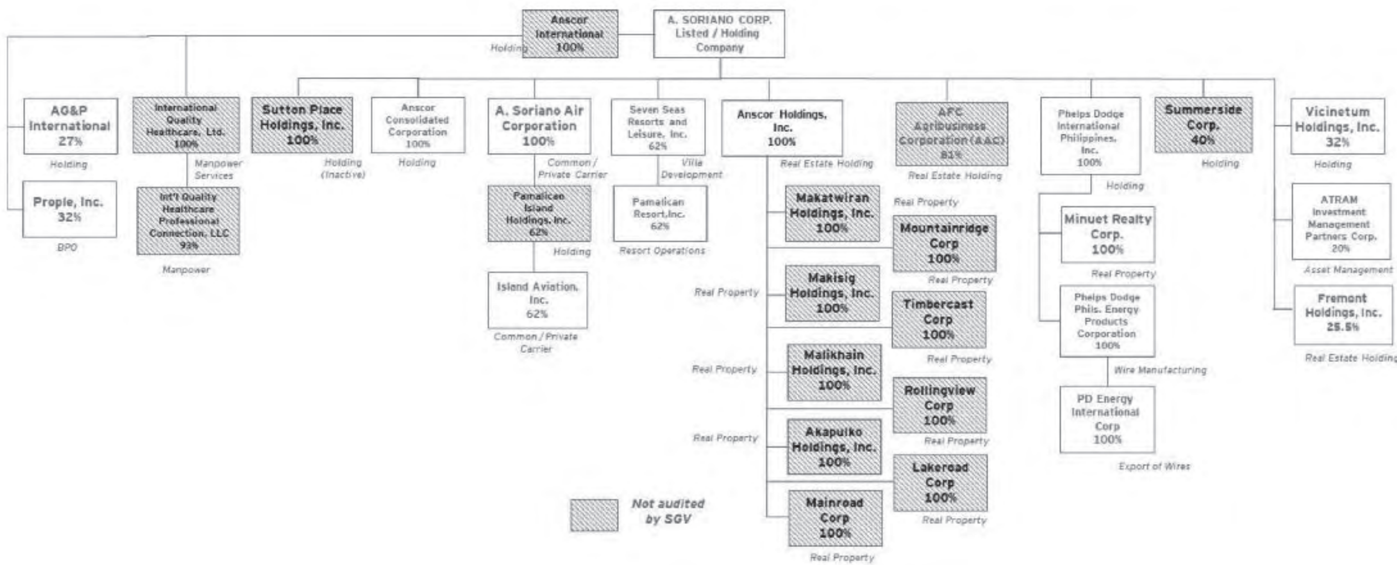
A. SORIANO CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Unappropriated retained earnings, as adjusted to available for dividend distribution, January 1, 2018		₱	3,258,175,350
Effect of transition adjustment - PFRS 9	2,950,404,370		
Fair value adjustments related to unrealized market to market gains of FVPL investments	(2,950,404,370)		-
Unappropriated retained earnings, as adjusted to available for dividend distribution, January 1, 2018			3,258,175,350
Add: Net income during the period	773,024,693		
Net decrease in deferred tax assets	47,846,964		820,871,657
			4,079,047,007
Cash dividends declared and paid in 2018			(1,250,000,000)
Total retained earnings available for dividend declaration, December 31, 2018		**₱**	**2,829,047,007**

ANNEX D

A. SORIANO CORPORATION AND SUBSIDIARIES

GROUP STRUCTURE
DECEMBER 31, 2018



ANNEX E

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transaction			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Definition of a Business*		✓	
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4			✓
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10, *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PFRS 10, *Consolidated Financial Statements* - Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

**Standards and interpretations which will become effective subsequent to December 31, 2018.*
***Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception	✓		
	Amendments to PFRS 12: Clarification of the Scope of the Standard*		✓	
	Amendments to PFRS 12: Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases*		✓	
PFRS 17	Insurance Contracts*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative – Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**		✓	
	Amendments to PAS 28:Applying the Consolidation Exception	✓		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	✓		
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

**Standards and interpretations which will become effective subsequent to December 31, 2018.*
***Deferred effectivity*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 39 *(cont'd)*	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements & Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to December 31, 2018.*

ANNEX F

A. SORIANO CORPORTION AND SUBSIDIARIES

FINANCIAL INDICATORS
DECEMBER 31, 2018

Significant financial indicators of the Group are the following:

	12/31/2018	12/31/2017	12/31/2016
Book Value Per Share (Note 1)	**15.32**	**15.06**	13.13
Current Ratio (Note 2)	**7.48**	**8.43**	6.61
Interest Rate Coverage Ratio (Note 3)	**18.17**	**32.34**	42.40
Debt to Equity Ratio (Note 4)	**0.17**	**0.19**	0.30
Asset to Equity Ratio (Note 5)	**1.20**	**1.22**	1.33
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**8.26%**	**24.07%**	27.14%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**4.35%**	**13.90%**	16.57%

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

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

PDP Energy and PDIPI

In Million Pesos

	12/31/2018	12/31/2017	12/31/2016
1. Net sales	**8,293**	7,189	6,407
2. Gross profit	**1,231**	1,079	1,358
3. Net income	**636**	546	753

Seven Seas Group

In Million Pesos

	12/31/2018	12/31/2017	12/31/2016
1. Occupancy rate	**58.8%**	55.2%	44.4%
2. Hotel revenue	**1,100.8**	861.2	679.0
3. Gross operating profit (GOP)	**509.3**	332.8	240.4
4. GOP ratio	**46.0%**	39.0%	35.4%
5. Resort net income	**225.4**	99.5	36.7
3. Villa development/lease net income	**9.9**	1.0	342.9
4. Consolidated net income	**235.3**	100.5	379.5

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

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

A. SORIANO CORPORATION

ANNUAL REPORT 2018

A. SORIANO CORPORATION

Contents

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

Chairman's Message

ANDRES SORIANO III
Chairman

THE PHILIPPINE ECONOMIC PICTURE IN 2018

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

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

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

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

THE COMPANY'S FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

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

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

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

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

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

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

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

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

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

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

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

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

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

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

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

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

AGP GROUP HOLDINGS PTE LTD. (AG&P)

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

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

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

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

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

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

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

KSA REALTY CORPORATION (owner of The Enterprise Center)

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

The 2018's gross rental revenue of ₱1.3 billion and net income of ₱964.0 million, before revaluation gain, were the highest in KSA's history, since it began operations in 1999. By year end, TEC's average rental rate was ₱1,320 per square meter, 5% higher than the average rental rate at the end of 2017. Gross revenue was 5% higher while net income before revaluation gain was 3% higher than last year.

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

STARTUP AND PRIVATE EQUITY VENTURES

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

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

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

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

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

Other early stage investments include:

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

OUTLOOK

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

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

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

ACKNOWLEDGMENT

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

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

THE ANDRES SORIANO FOUNDATION, INC.

Fifty Years of Continuing Commitment to Social Development

Beyond Giving and Doing It Well

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

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

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

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

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

SMALL ISLAND SUSTAINABLE DEVELOPMENT

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

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

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

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

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

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

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

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

CANCER CARE PROGRAM

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

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

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

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

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

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

DISASTER RELIEF AND REHABILITATION

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

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

Financial Highlights

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

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

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

* *Attributable to equity holders of the parent.*
** *Based on weighted average number of shares of 1,215.5 million in 2018, 1,224.2 million in 2017 and 1,232.7 million in 2016.*
*** *Based on outstanding shares of 1,211.9 million, 1,217.2 million and 1,232.6 million as of December 31, 2018, 2017 and 2016, respectively.*

Five-Year Review

Consolidated Financial Information

(In Million Pesos Except Per Share Data)

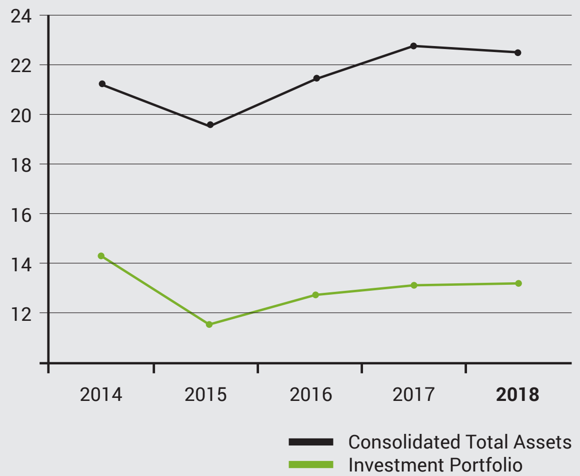
YEAR	NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2018	**808.4**	**18,575.9**	**1,215.5**	**0.67**	**15.32**
2017	2,547.5	18,332.5	1,224.2	2.08	15.06
2016	2,682.6	16,189.3	1,232.7	2.18	13.13
2015	1,965.6	13,563.0	1,244.6	1.58	10.99
2014	1,643.5	14,835.2	1,254.0	1.31	11.94

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

* *Ratio of net income attributable to equity holders of the parent to weighted average number of shares outstanding during the year.*
** *Ratio of equity attributable to equity holders of the parent to outstanding number of shares as of end-December.*
*** *2016, 2017 and 2018 included PDP Group's gross revenues and total assets.*

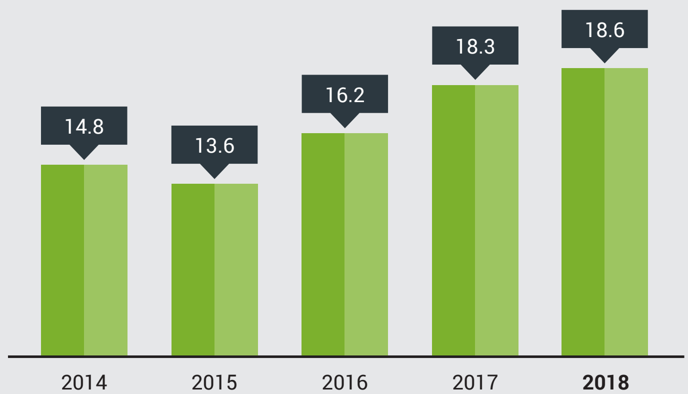
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO

(In Billion Pesos)



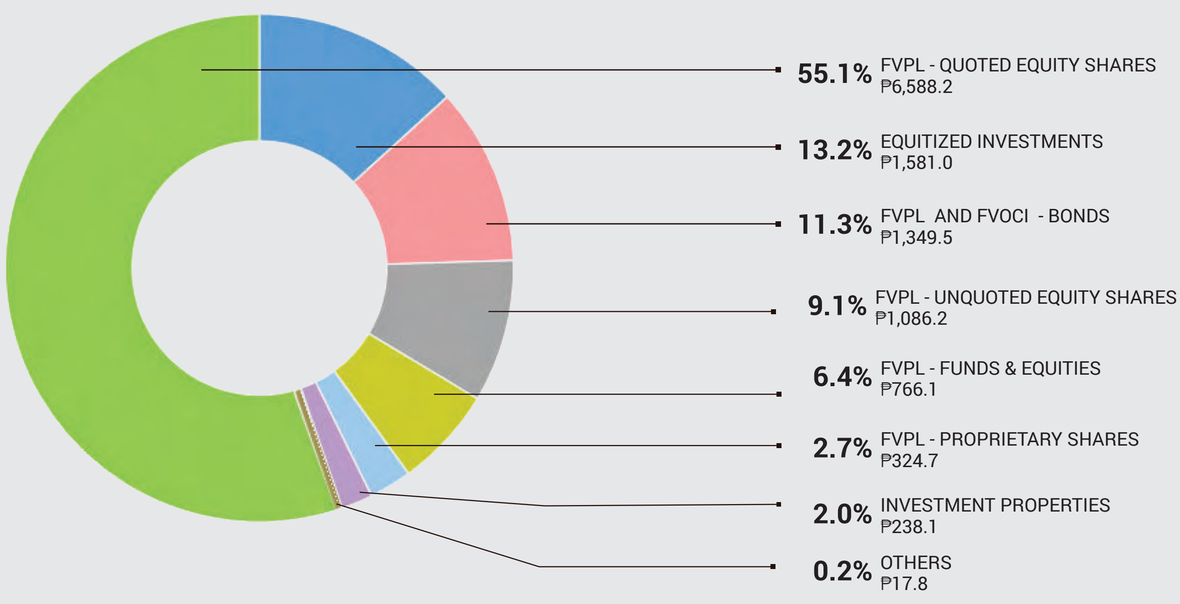
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(In Billion Pesos)



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2018

(In Million Pesos)



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ANDRES SORIANO III
Chairman, President and
Chief Executive Officer

ERNEST K. CUYEGKENG
Executive Vice President and
Chief Financial Officer

Signed this 21st day of February 2019

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

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

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

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

ATTY. KIRSTEN ERIKA A. CASA
Appointment No. M-143
Notary Public for Makati City until December 31, 2019
Liberty Center, 104 H.V. dela Costa Street, Makati City
Roll No. 69265
PTR No. 7339305; Makati City; Jan. 6, 2019
IBP No. LRN002560 RSM 5112017

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

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

Audit Response

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

Recoverability of Investment in an Associate

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

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

Audit Response

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

Provisions and Contingencies

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

Audit Response

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-3 (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332594, January 3, 2019, Makati City

February 21, 2019

Consolidated Balance Sheets

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

(Forward)

Consolidated Balance Sheets

	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.

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	93,555,443
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)

Consolidated Statements of Comprehensive Income

	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.

Consolidated Statements of Changes in Equity

	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 (Note 13)	Remeasurement on Retirement Benefits (Note 24)
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
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	(676,476,718)	–
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
Net income (Note 2)	–	–	–	–	–	–
Other comprehensive income (Note 2)	–	–	–	192,326,863	1,963,049	2,616,080
Total comprehensive income for the year (Note 2)	–	–	–	192,326,863	1,963,049	2,616,080
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱253.5 million (Note 21)	–	–	–	–	–	–
Shares repurchased during the year (Note 21)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–
Appropriation during the year (Note 21)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2016	₱ 2,500,000,000	₱ 1,605,613,566	(₱ 26,356,543)	₱ 380,244,251	₱ 11,740,571	₱ 37,608,665
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
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	(1,888,036,153)	–
BALANCES AT JANUARY 1, 2017 (as restated)	2,500,000,000	1,605,613,566	(26,356,543)	380,244,251	11,740,571	37,608,665
Net income (Note 2)	–	–	–	–	–	–
Other comprehensive income (loss) (Note 2)	–	–	–	(84,661,930)	2,417,216	20,385,957
Total comprehensive income (loss) for the year (Note 2)	–	–	–	(84,661,930)	2,417,216	20,385,957
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱255.6 million (Note 21)	–	–	–	–	–	–
Shares repurchased during the year (Note 21)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2017	₱ 2,500,000,000	₱ 1,605,613,566	₱ (26,356,543)	₱ 295,582,321	₱ 14,157,787	₱ 57,994,622
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
Effect of adoption of new accounting standards (Note 2)	–	–	–	(218,403)	(2,989,114,158)	–
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
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	89,930,454	(22,286,311)	(18,141,594)
Total comprehensive income (loss) for the year	–	–	–	89,930,454	(22,286,311)	(18,141,594)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱641.4 million (Note 21)	–	–	–	–	–	–
Shares repurchased during the year (Note 21)	–	–	–	–	–	–
Disposal of a subsidiary (Note 8)	–	–	26,356,543	–	–	–
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2018	**₱ 2,500,000,000**	**₱ 1,605,613,566**	**₱ –**	**₱ 385,512,775**	**(₱ 8,128,524)**	**₱ 39,853,028**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent (Note 21)						
		Retained Earnings		Cost of Shares Held by a Subsidiary			
	Subtotal*	Appropriated	Unappropriated		Total	Noncontrolling Interests	Total
BALANCES AT JANUARY 1, 2016 (as previously reported)	₱ 4,988,421,236	₱ 6,300,000,000	₱ 4,487,779,074	(₱ 2,219,505,295)	₱ 13,556,695,015	₱ 378,225,614	₱ 13,934,920,629
Effect of adoption of new accounting standards (Note 2)	(676,476,718)	–	682,809,504	–	6,332,786	–	6,332,786
BALANCES AT JANUARY 1, 2016 (as restated)	4,311,944,518	6,300,000,000	5,170,588,578	(2,219,505,295)	13,563,027,801	378,225,614	13,941,253,415
Net income (Note 2)	–	–	2,682,646,535	–	2,682,646,535	167,493,979	2,850,140,514
Other comprehensive income (Note 2)	196,905,992	–	–	–	196,905,992	–	196,905,992
Total comprehensive income for the year (Note 2)	196,905,992	–	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	₱ 4,508,850,510	₱ 7,150,000,000	₱ 6,756,716,458	(₱ 2,226,272,975)	₱ 16,189,293,993	₱ 512,829,051	₱ 16,702,123,044
BALANCES AT JANUARY 1, 2017 (as previously reported)	₱ 6,396,886,663	₱ 7,150,000,000	₱ 4,914,057,124	(₱ 2,226,272,975)	₱ 16,234,670,812	₱ 512,829,051	₱ 16,747,499,863
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)	4,508,850,510	7,150,000,000	6,756,716,458	(2,226,272,975)	16,189,293,993	512,829,051	16,702,123,044
Net income (Note 2)	–	–	2,547,458,719	–	2,547,458,719	40,907,864	2,588,366,583
Other comprehensive income (loss) (Note 2)	(61,858,757)	–	–	–	(61,858,757)	–	(61,858,757)
Total comprehensive income (loss) for the year (Note 2)	(61,858,757)	–	2,547,458,719	–	2,485,599,962	40,907,864	2,526,507,826
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱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	₱ 4,446,991,753	₱ 7,150,000,000	₱ 9,059,813,726	(₱ 2,324,314,735)	₱ 18,332,490,744	₱ 458,644,651	₱ 18,791,135,395
BALANCES AT JANUARY 1, 2018 (as previously reported)	₱ 7,436,324,314	₱ 7,150,000,000	₱ 6,250,515,619	(₱ 2,324,314,735)	₱ 18,512,525,198	₱ 458,644,651	₱ 18,971,169,849
Effect of adoption of new accounting standards (Note 2)	(2,989,332,561)	–	2,809,298,107	–	(180,034,454)	–	(180,034,454)
BALANCES AT JANUARY 1, 2018 (as restated)	4,446,991,753	7,150,000,000	9,059,813,726	(2,324,314,735)	18,332,490,744	458,644,651	18,791,135,395
Net income	–	–	808,386,813	–	808,386,813	96,436,570	904,823,383
Other comprehensive income (loss)	49,502,549	–	–	–	49,502,549	–	49,502,549
Total comprehensive income (loss) for the year (Note 2)	49,502,549	–	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 a 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	**₱ 4,522,850,845**	**₱ 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.

** Subtotal for the numbers of the six columns appearing on page 22.*

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

(Forward)

Consolidated Statements of Cash Flows

	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.

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

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

December 31, 2017

	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

(Forward)

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

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

The nature of these adjustments are described below:

(a) Classification and measurement

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

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

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

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

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

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

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

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

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

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

As at December 31, 2017

	As previously reported	PFRS 9 measurement category: 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

		As previously reported	PFRS 9 measurement category: 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 fair value through profit or loss. Impairment losses, if any, do not reduce the carrying amount of debt instruments at fair value through OCI in the consolidated balance sheet, which remains at fair value.

(c) Other adjustments

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2019

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

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

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

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

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

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

The interpretation specifically addresses the following:

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

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

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

- Annual Improvements to PFRSs 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  - Amendments to PAS 23, *Borrowing Costs*, *Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly owned, majority and minority-owned subsidiaries as at December 31:

		Percentage of 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

(Forward)

	Nature of Business	Percentage of Ownership 2018	2017	2016
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).

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity’s share of the net fair value of the investee’s identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity’s share of the net fair value of the investee’s identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity’s share of the associate’s profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The loss is recognized under “Equity in net earnings (losses) - net of valuation allowance” in the consolidated profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit or loss, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated profit or loss.

The following are the Group's associates as at December 31:

		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
Fremont Holdings, Inc. (FHI, Note 14)	Real Estate Holding	**25**	–	–
BehaviorMatrix, LLC (BM, Note 14)	Behavior Analytics Services	**21**	21	21
ATRAM Investment Management Partners Corp. (AIMP, Note 14)	Asset Management	**20**	20	–

In 2016, AI converted its notes receivable from Prople Limited and BM to equity. The conversion and additional investment increased AI's shareholdings, making Prople Limited and BM associates of the Group (see Note 14).

In 2017, Anscor purchased additional shares in AIMP which resulted to an increase in ownership allowing the Group to exercise significant influence over the investee (see Note 14).

In 2018, Anscor invested ₱180.4 million in FHI. The investment, which is equivalent to 75,273,228 common shares, gave the Company a total of 25% interest in the entity (see Note 14).

The principal business location of AIMP, VHI and FHI is the Philippines. AG&P, BM and Prople Limited are based in the BVI, USA and Hong Kong, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized in the consolidated profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as noncontrolling interests.

Disposal Group and Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated profit or loss.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVPL equity instruments are recognized in the consolidated profit or loss.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVPL financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<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 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.

Other Income
Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized in the consolidated profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheet, until the nurses' arrival and employment in the U.S. and UAE hospitals. Upon the nurses' arrival and employment in the U.S. and UAE hospitals, deferred costs are reversed to "Costs of services rendered."

Cost and expenses related to room services are charged to operations when incurred.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land and development cost incurred in the construction of the villas.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale.

For cable and wire manufacturing, finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	2 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

**or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Depreciation commences when an asset is in its operational location or working condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes villa development costs and related expenses incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated profit or loss.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at the end of each financial reporting period.

Contract Balances

Trade receivables

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligations under the contract.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets include restricted cash funds for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Deposits to suppliers in relation to aircraft maintenance and acquisition of specific property and equipment are also classified as part of other noncurrent assets.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects of retrospective restatement recognized in accordance with the PAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated profit or loss on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

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 FVPL equity investments is normally based on one of the following:
- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;

- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's unquoted FVPL equity instruments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 30).

Unquoted FVPL equity investments amounted to ₱1,086.2 million and ₱1,023.4 million as at December 31, 2018 and 2017, respectively (see Notes 2 and 10).

Impairment of FVOCI debt investments
For FVOCI debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instrument has increased significantly since initial recognition. The Group did not recognize impairment loss in 2018 and 2016. Impairment loss recognized in 2017 amounted to ₱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 nonfinancial assets
(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2018 and 2017, the carrying value of property and equipment and investment properties amounted to ₱2,798.9 million and ₱2,904.7 million, respectively (see Notes 15 and 16).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2018 (see Notes 15 and 16).

(b) Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units. In 2017, the Group sold its investment in Cirrus including goodwill allocated to Cirrus (see Note 8).

As at December 31, 2018 and 2017, the carrying value of goodwill amounted to ₱1,302.3 million (see Note 7).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As at December 31, 2018 and 2017, the Group recognized deferred income tax assets amounting to ₱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	Resorts 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	Resorts 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	Resorts Operations and Villa Development	Other Operations*	Total
Category				
Type of goods or service:				
Goods	₱ 6,608,154,597	₱ –	₱ –	₱ 6,608,154,597
Services	–	688,165,664	222,813,568	910,979,232
Real estate	–	633,912,337	–	633,912,337
Total revenue from contracts with customers	₱ 6,608,154,597	₱1,322,078,001	₱ 222,813,568	₱ 8,153,046,166
Timing of revenue recognition:				
At a point in time	₱ 6,608,154,597	₱ 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 Company enters into contracts to sell with one identified performance obligation, which is satisfied upon delivery of the goods. Receivables are generally collected within 30 to 60 days from the delivery of goods and receipt of invoice.

Villa development project
The performance obligation is satisfied at a point in time and payment is generally received in advance during the construction of the villa clusters.

Resort operations
This pertains to the services provided to the guests which is satisfied over time. Payments are received in advance from the guests.

6. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. Majority of the companies within the Group were incorporated and operating within the Philippines, except for the Nurse/Physical Therapist (PT) Staffing business. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

Holding company segment pertains to the operations of the Company.

Nurse/PT staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States. On October 19, 2017, the Group sold its interest in Cirrus which serves as the Nurse/PT staffing segment of the Group (see Note 8).

Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment.

Cable and Wire Manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.

Other operations include air transportation, hangarage, real estate holding and management, and recruitment services. On September 28, 2018, the Group sold its interest in Cirrus Global, Inc. which serves as the recruitment services segment of the Group (see Note 8).

Amounts for the investments in associates comprise the Group's equity in net losses - net of valuation allowance.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	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	567,601	389,597	332,922	50,258	1,340,378	(426,393)	913,985
Investing activities	(17,401)	(66,806)	(61,244)	645,555	500,104	(908,942)	(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 Operation 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
Cash flows from (used in):								
Operating activities	206,562	743,752	197,556	313,737	166,200	1,627,807	(132,315)	1,495,492
Investing activities	(3,637)	1,168,955	(111,939)	(145,832)	(57,715)	849,832	(203,167)	646,665
Financing activities	(161,618)	(1,055,032)	(186,114)	(511,429)	9,577	(1,904,616)	612,995	(1,291,621)

1 *"Other Operations" include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net earnings (losses) of associates - net of valuation allowance.*
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 Operation 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 earnings (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 (₱266.2 million) in Macquarie, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. (Grab). Grab is a Singapore-based technology company that offers ride-hailing transport services, food delivery and payment solutions through GrabTaxi, Grab Food and GrabPay.

   As at December 31, 2018, total investment in Macquarie, inclusive of foreign exchange adjustment, amounted to ₱262.9 million. Investment in Macquarie is included under "funds and equities" account.

c. **Y-mAbs Therapeutics, Inc. (Y-mAbs)**

In December 2015, IQHPC invested US$1.0 million (₱47.1 million) in Y-mAbs, a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer.

On November 10, 2016, IQHPC made additional investments to Y-mAbs amounting to US$0.8 million (₱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 (₱51.6 million).

In 2018 and 2017, AI recognized losses on fair value adjustment amounting to ₱3.3 million and ₱12.2 million, respectively.

As at December 31, 2018 and 2017, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to ₱47.1 million and nil, respectively.

h. **Enderun College, Inc. (Enderun)**

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The fair value of the investment in Enderun amounted to ₱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		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2018
	2018	**2017 (As restated – Note 2)**	
Quoted equity shares	**₱ 2,242.3**	₱ 2,357.6	**(₱ 115.3)**
Unquoted equity shares	**487.5**	280.7	**206.8**
Proprietary shares	**286.7**	179.6	**107.1**
Bonds	**(54.9)**	(16.9)	**(38.0)**
Funds and equities	**(41.8)**	(9.8)	**(32.0)**
Others	**(7.6)**	1.5	**(9.1)**
Total	**2,912.2**	2,792.7	**119.5**
Add realized gain on sale of FVPL investments			**(86.0)**
Net gain on increase in market value of FVPL investments			**₱ 33.5**

	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
	2016 (As restated – Note 2)	2015 (As restated*)	in 2016 (As restated – Note 2)
Quoted equity shares	₱ 1,218.7	(₱ 3.1)	₱ 1,221.8
Unquoted equity shares	457.8	509.5	(51.7)
Bonds	(22.2)	(43.8)	21.6
Funds and equities	(15.8)	(11.4)	(4.4)
Proprietary shares	170.1	174.6	(4.5)
Others	60.5	57.8	2.7
Total	1,869.1	683.6	1,185.5
Add realized loss on sale of FVPL investments			(46.3)
Net gain on decrease in market value of FVPL investments			₱ 1,139.2

** Balances were restated to include the retrospective effect of PFRS 9.*

There were no outstanding forward transactions as at December 31, 2018, 2017 and 2016.

11. Receivables

	2018	2017
Trade	₱ 1,837,485,963	₱ 1,632,172,618
Note receivable	240,030,000	–
Tax credits/refunds	180,109,900	151,666,043
Interest receivable	33,693,522	22,637,770
Receivables from villa owners	15,179,905	13,106,894
Advances to employees	14,295,820	13,285,580
Dividend receivable	3,299,071	3,299,071
Others	19,390,178	7,679,219
	2,343,484,359	1,843,847,195
Less allowance for expected credit losses	73,242,670	60,398,297
	₱ 2,270,241,689	₱ 1,783,448,898

Trade receivables are non-interest bearing and are normally settled on a 30-day term.

Note receivable amounting to ₱240.0 million pertains to a one-year convertible note and security agreement with Powersource Group Holdings Corporation (Powersource) to provide a pre-development support and pre-development funding for the projects of Powersource. The Company may exercise its option to convert the note into common shares upon execution of subscription agreement within the agreed time frame or to convert the loan and all outstanding interest on maturity date. The interest on the loan shall be six percent (6%) per annum, which shall accrue beginning from the issuance of the loan and be due and payable every end of the quarter. Total interest income recognized in the consolidated profit or loss amounted to ₱5.9 million in 2018 (see Note 24). As at December 31, 2018, the carrying amount of convertible note amounted to ₱240.0 million.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and FVOCI investments in debt instruments.

Receivables from villa owners pertain to SSRLI's net rental share and handling fees from reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other expenses for villa maintenance.

Movements in the allowance for expected credit losses of trade and other receivable accounts are as follows:

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

(Forward)

	2018	2017
Raw materials - net of allowance for inventory obsolescence of ₱2.9 million in 2018 and ₱2.6 million in 2017	₱ 117,336,643	₱ 89,390,888
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱37.1 million in 2018 and ₱36.4 million in 2017	98,295,809	106,947,233
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱8.6 million in 2018 and ₱7.2 million in 2017	43,662,471	28,097,694
Construction-related materials - net of allowance for inventory obsolescence of ₱0.6 million in 2018 and ₱5.6 million in 2017	605,556	5,385,704
	828,435,267	678,334,901
	₱ 1,030,460,829	₱ 817,360,103

Net reversals for inventory obsolescence recognized in 2018 and 2017 amounted to ₱2.6 million and ₱4.3 million, respectively, while provision for inventory obsolescence recognized in 2018 and 2017 amounted to ₱4.1 million and ₱11.0 million, respectively.

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2018 and 2017.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in other construction of villa or future repair or renovation of villas.

Inventories recognized as expense amounted to ₱6,664.8 million, ₱5,709.9 million and ₱4,810.1 million in 2018, 2017 and 2016, respectively (see Note 22).

13. FVOCI Investments

	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

On January 2014, a loan and investment agreement was entered by the Company with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESC). Under this agreement, the Company committed to lend up to ₱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 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 Machineries 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 Machineries 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
Deposits to suppliers (Note 31)	₱	**101,805,516**	₱	56,461,954
Fund for villa operations and capital expenditures (Note 31)		**94,405,140**		91,846,387
Computer software		**11,964,834**		13,845,662
Refundable deposits		**1,426,368**		691,203
Deferred nurse cost		**–**		2,099,165
Others		**9,717,525**		9,694,055
	₱	**219,319,383**	₱	174,638,426

Deposits to suppliers include advances to suppliers for the maintenance of IAI's aircraft, for the acquisition of specific property and equipment and for the total cost of fuel tanks and pipelines funded initially by the subsidiary but will be recovered from the supplier over the supply contract period agreed upon by the parties.

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 31).

Other noncurrent liabilities amounted to ₱143.4 million and ₱170.1 million as at December 31, 2018 and 2017, respectively, which include the related liability for the fund asset of PRI recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

18. Notes Payable

Notes payable as at December 31, 2018 represent unsecured, short-term, interest-bearing liabilities of PDP amounting to ₱250.0 million.

Details of the Group's short-term borrowing transactions are as follows:

a. Cirrus obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the U.S., with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as at December 31, 2016 amounted to US$1.8 million (₱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

(Forward)

	2018	2017	2016
Materials and supplies - resort operations	₱ 29,910,544	₱ 33,887,885	₱ 29,936,594
Commissions	17,201,564	14,433,118	12,422,708
Insurance	4,887,652	4,735,964	4,204,553
Outside services	1,383,256	1,362,504	1,185,373
Variable nurse costs	1,122,567	4,301,692	7,748,434
Others	11,219,874	18,018,531	21,917,953
	₱ 437,508,189	₱ 395,971,370	₱ 286,359,967

Operating expenses consist of:

	2018	2017	2016
Salaries, wages and employee benefits (Note 23)	₱ 347,286,847	₱ 410,770,485	₱ 291,296,707
Advertising	147,533,312	126,476,694	97,131,354
Depreciation and amortization (Note 15)	135,916,449	132,268,068	124,288,563
Shipping and delivery expenses	82,775,651	71,917,913	83,376,064
Utilities	76,226,590	59,820,387	55,643,818
Professional and directors' fees	72,891,128	45,933,124	58,699,844
Repairs and maintenance	51,645,741	37,356,821	36,002,550
Taxes and licenses	48,090,154	59,832,031	134,105,397
Transportation and travel	46,524,779	44,828,828	50,020,189
Commissions	30,268,954	26,174,903	7,156,131
Insurance	22,997,892	23,691,621	22,035,676
Security services	20,613,634	18,834,745	18,152,937
Communications	12,230,631	14,268,396	14,543,325
Association dues	7,808,276	7,278,115	7,081,854
Rental (Note 31)	7,773,918	10,571,402	10,888,080
Meetings and conferences	7,459,777	11,760,474	10,095,573
Entertainment, amusement and recreation	6,923,568	7,034,567	11,576,889
Donation and contribution	6,632,200	11,888,895	7,720,795
Computer programming	6,177,406	4,592,662	6,537,040
Office supplies	6,097,933	5,316,103	5,273,846
Medical expenses	5,171,806	6,137,045	3,889,441
Others	45,336,970	42,522,165	40,833,009
	₱ 1,194,383,616	₱ 1,179,275,444	₱ 1,096,349,082

In 2018, 2017 and 2016, the Company paid bonus to its non-executive directors amounting to ₱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		6,955,208
	₱	**109,516,147**	₱	98,877,355	₱	93,555,443

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.8 million in 2018, ₱1.7 million in 2017 and ₱0.5 million in 2016.

Interest expense consists of:

		2018		2017		2016
Long-term debt (Note 20)	₱	**70,524,251**	₱	84,832,172	₱	104,747,200
Notes payable (Note 18)		**2,293,068**		–		1,978,152
Others		**91,052**		306,006		1,788,116
	₱	**72,908,371**	₱	85,138,178	₱	108,513,468

Other income (charges) consists of:

	2018	2017	2016
Valuation allowances on:			
FVOCI investments (Note 13)	₱ –	(₱ 82,906,040)	₱ –
Receivables (Note 11)	(15,430,275)	(12,541,567)	(17,750,100)
Construction materials and other supplies	–	(5,363,689)	–
Other current and noncurrent assets	(1,599,246)	–	(1,584,786)
Recovery of valuation allowances (Notes 11, 12 and 13)	7,632,131	–	16,509,318
Rental income	8,566,268	6,709,294	7,542,788
Sale of property	448,832	19,162,207	–
Service and handling fees	–	103,303,424	–
Claims and other refunds	54,024,733	–	–
Others	26,065,932	23,965,138	54,182,209
	₱ 79,708,375	₱ 52,328,767	₱ 58,899,429

In 2017, a subsidiary entered into a contract and received a fee of ₱93.4 million.

Others included ASAC's reimbursement from lessees and reversal of accrued expenses.

25. Pension

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as at December 31, 2018 and 2017 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.5% to 10.1% in 2018 and from 2.13% to 7.88% in 2017 and have maturities from October 16, 2019 to July 19, 2031 in 2018 and from May 23, 2018 to December 7, 2026 in 2017.

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 3.4% to 5.8% in 2018 and 0.18% to 8.00% in 2017 and have maturities from January 8, 2019 to July 3, 2027 in 2018 and from January 3, 2018 to July 19, 2031 in 2017; and

d. Investments in equity securities, which consist of actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As at December 31, 2018 and 2017, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱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 increase	**+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 increase	+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 - net of valuation allowances, not subject to income tax	78,655,241	(870,281)	–
Nontaxable (gain) loss on sale of subsidiaries	2,724,000	(329,358,484)	–
Others	(16,840,694)	11,616,995	20,399,659
	₱ 347,218,566	₱ 253,435,684	₱ 317,793,110

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

Period of 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
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 using a provision matrix.

		Days Past Due But Not Impaired					
December 31, 2018	**Current**	**Less than 30 days**	**31 to 60 days**	**91 to 120 days**	**61 to 90 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**

		Days Past Due But Not Impaired					
December 31, 2017	**Current**	**Less than 30 days**	**31 to 60 days**	**91 to 120 days**	**61 to 90 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%	23.17%-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 [in basis points (bps)] Before Tax	Change in Interest Rates Effect on Income 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):

	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 value method. The underlying investments under these private equity funds are carried at fair value. Other FVPL investments in unquoted equity shares are based on prices and other relevant information generated by market transactions involving identical and comparable assets, liabilities or a group of assets and liabilities, such as business. The valuation requires management to use market multiples derived from a set of comparables. Multiples might be in ranges with a difference multiple for each comparable. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors specific to the measurement.

The following tables provide the Group's fair value measurement hierarchy of its assets:

		Fair Value Measurement Using		
December 31, 2018:	**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

		Fair Value Measurement Using		
December 31, 2017 (As restated – Note 2):	**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 FVOCI 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

Sutton

a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

   In January 2016, CGI and IQHPC entered into a new Service Agreement where IQHPC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

   As at December 31, 2017, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2018, 2017 and 2016 amounted to ₱2.5 million, ₱7.4 million and ₱11.1 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2016 and 2017, the lease agreement was renewed for a one-year term.

   Rent expense in 2018, 2017 and 2016 amounted to ₱2.7 million, ₱3.3 million and ₱3.0 million, respectively (see Note 22).

d. In October 2015, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The initial sublease agreement was for a period of eight months until July 15, 2015. The sublease agreement was renewed and extended until June 15, 2016.

   In 2017, CGI entered into an agreement to sublease a portion of its leased office space to Cirrus Global Services, Inc. for a period of one year commencing August 1, 2017. This was extended until December 31, 2018.

   Rent income from the sublease agreement in 2018, 2017 and 2016 amounted to ₱2.6 million, ₱0.9 million and ₱0.4 million, respectively (see Note 24).

e. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

   Permitted fees are to be invoiced in the following manner:
   - 25% of fee upon signing the contract offer of employment;
   - 50% of fee upon deployment; and
   - 25% of fee upon completion of the probationary 90-day time period at CCAD.

CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met. Total deferred revenues as at December 31, 2018 and 2017 amounted to nil and ₱9.5 million, respectively.

Service income recognized in 2018, 2017 and 2016 amounted to ₱12.9 million, ₱10.3 million and ₱51.3 million, respectively. Service income recognized in 2018 is for the period ended September 28, 2018.

Cirrus

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱2.0 billion and ₱2.6 billion in 2017 and 2016, respectively. The service income recognized in 2017 is for the period ended October 19, 2017 (see Note 8).

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

   Rent expense in 2018, 2017 and 2016 amounted to nil, ₱9.2 million and ₱10.7 million, respectively (see Note 22).

c. On June 30, 2017, Cirrus invested in Cirrus Global Services, Inc. (CGSI) which handles the general and administrative services of the nurse staffing entities. CGSI, as part of the Cirrus Group, was subsequently sold through a merger agreement on October 19, 2017 (see Note 8).

ASAC

ASAC entered into a lease agreement in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term.

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2018 and 2017 amounted to ₱81.3 million and ₱59.4 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets (see Note 17).

b. IAI conducts its operations from leased facilities with ASAC which include the aircraft hangar or ramp, battery shop, parking lots, mechanics' quarters and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and was subsequently renewed. The renewed lease agreement will terminate on August 31, 2019.

   The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱3.5 million in 2018, ₱3.2 million in 2017 and ₱3.1 million in 2016.

c. IAI entered into a lease or concessionaire agreement with Manila International Airport Authority which granted IAI to operate as an aircraft hangar and conduct fixed base operations within the leased premises. The agreement shall be effective for a period of one (1) year commencing on January 1, 2016. IAI will continue to operate at Ninoy Aquino International Airport (NAIA) Complex by virtue of the Certificate of Public Convenience and Necessity to operate Domestic Scheduled Air Transportation Services issued on January 31, 2017 and valid from March 1, 2017 up to February 28, 2022.

   The IAI is still operating at NAIA Complex as of February 21, 2019.

SSRLI and PRI

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

   On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a location at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable.

   On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.9 million (₱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 ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI. The monthly fee was reduced to ₱0.5 million, exclusive of VAT, from August 1, 2016 until March 21, 2017. On December 15, 2016, the agreement with APHI was transferred to AHI.

   On January 3, 2017, the monthly fee was reduced to ₱0.3 million, exclusive of VAT, from January to March 31, 2017.

   On May 31, 2017, AHI and SSRLI entered into a management contract in which SSRLI shall pay a fixed monthly fee amounting to ₱0.3 million, exclusive of VAT, effective June 1, 2017 until September 30, 2017. The monthly fee was reduced to ₱0.2 million, exclusive of VAT for October 2017.

h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱163.4 million, ₱120.8 million and ₱96.0 million in 2018, 2017 and 2016, respectively, and presented as "Services revenue" in the consolidated profit or loss.

   As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2018 and 2017, the restricted fund amounted to ₱83.0 million and ₱81.9 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 17).

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 flow for Availment	Cash flow 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 flow for Availment	Cash flow 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.

Board of Directors

1 **ANDRES SORIANO III**
Chairman of the Board/
Chief Executive Officer/President

2 **EDUARDO J. SORIANO**
Vice Chairman

3 **ERNEST K. CUYEGKENG**

4 **JOHN L. GOKONGWEI, JR.**

5 **OSCAR J. HILADO**

6 **JOSE C. IBAZETA**

7 **ROBERTO R. ROMULO**

Officers & Corporate Directory

CORPORATE DIRECTORY

Corporate Social Responsibility Arm
The Andres Soriano Foundation, Inc. (ASF)
Andrews Avenue, Pasay City
(632) 831-99-41 • (632) 851-55-07
www.asorianofoundation.org

Address
7th Floor Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Extension,
1209 Makati City, Philippines

Post Office Box
1304 Makati Central Post Office
1252 Makati City, Philippines

Websites
www.anscor.com.ph
www.sorianogroup.com.ph

Telephone Numbers
(632) 819-02-51 to 60

Fax Number
(632) 811-50-68

External Auditors
SyCip Gorres Velayo & Co.

Stock Transfer Agent
Stock Transfer Service, Inc.
34th Floor, Unit D, Rufino Pacific Tower,
6784 Ayala Avenue, Makati City

Legal Counsels
Angara Abello Concepcion Regala & Cruz
Kapunan & Castillo
Picazo Buyco Tan Fider & Santos
Tan Acut Lopez & Pison

OFFICERS

ERNEST K. CUYEGKENG
Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER
Senior Vice President, Treasurer & Corporate Development Officer

NARCISA M. VILLAFLOR
Vice President & Comptroller

LORENZO D. LASCO*
Vice President

JOSHUA L. CASTRO
Vice President & Assistant Corporate Secretary

SALOME M. BUHION
Assistant Vice President

MARIA VICTORIA L. CRUZ
Assistant Vice President

LEMIA L. SIMBULAN**
Executive Assistant

LORNA P. KAPUNAN
Corporate Secretary

**   Assigned to AHI*
*** Assigned to ASF*

SUBSIDIARIES

A. Soriano Air Corporation
AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor Holdings, Inc. (AHI)
Anscor International, Inc.
IQ Healthcare Professional Connection, LLC
Island Aviation, Inc.
Minuet Realty Corporation
Pamalican Island Holdings, Inc.
Pamalican Resort, Inc.
PD Energy International Corporation
Phelps Dodge International Philippines, Inc.
Phelps Dodge Philippines Energy Products Corporation
Seven Seas Resorts and Leisure, Inc.
Sutton Place Holdings, Inc.

AFFILIATES

AGP Group Holdings PTE Ltd.
Atram Investment Management Partners Corporation
DirectWithHotels, Inc.
Element Data, Inc.
KSA Realty Corporation
Madaket, Inc.
Prople Limited
Sierra Madre Philippines I LP
Vicinetum Holdings, Inc.
Y-mAbs Therapeutics, Inc.

A. SORIANO CORPORATION

7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Ext.,
1209 Makati City, Philippines

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

				P	W	2				

COMPANY NAME

A SORIANO CORPORATION AND
SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat
Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	**Third Wednesday of April**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2018

2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

A. SORIANO CORPORATION
4. Exact name of issuer as specified in its charter

Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. Address of issuer's principal office Postal Code

8190251
8. Issuer's telephone number, including area code

N/A
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

………
………

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
VP- Asst. Corporate Secretary

Date: May 15, 2018

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: May 15, 2018

SECForm17-Q
May 15, 2018

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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	March 31	Restated (Note 1) December 31	Restated (Note 1) January 1
	2018	2017	2017
ASSETS			
Current Assets			
Cash and cash equivalents	**2,827,242**	3,255,535	2,403,739
Fair value through profit and loss (FVPL) investments	**9,845,500**	9,732,063	8,283,081
Receivables	**2,124,555**	1,783,449	2,167,502
Inventories	**1,179,711**	817,360	683,917
Property development in progress	**3,177**	3,177	3,177
Fair value through other comprehensive income (FVOCI) investments - current	**31,467**	30,165	47,728
Prepayments	**35,921**	18,036	18,677
Other current assets	**52,225**	50,189	151,401
Total Current Assets	**16,099,798**	15,689,974	13,759,222
Noncurrent Assets			
FVOCI investments - net of current portion	**654,406**	654,335	800,097
Investments and advances	**1,724,790**	1,651,840	1,943,574
Goodwill	**1,302,276**	1,302,276	1,889,496
Property and equipment	**2,638,468**	2,668,189	2,648,731
Investment properties	**236,657**	236,522	234,878
Retirement plan asset	**93,707**	93,707	60,191
Deferred tax assets	**61,063**	61,082	62,305
Other noncurrent assets	**178,637**	168,306	129,007
Total Noncurrent Assets	**6,890,004**	6,836,257	7,768,279
TOTAL ASSETS	**22,989,802**	22,526,231	21,527,501
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	**-**	-	91,948
Accounts payable and accrued expenses	**1,048,626**	908,932	969,799
Dividends payable	**861,141**	252,554	242,208
Income tax payable	**133,395**	65,633	141,745
Current portion of long-term debt	**632,245**	611,284	629,350
Total Current Liabilities	**2,675,407**	1,838,403	2,075,050

(Forward)

Note 1: PFRS 9 retroactively applied.

	March 31	Restated (Note 1) December 31	January 1
	2018	2017	
Noncurrent Liabilities			
Long-term debt - net of current portion	**975,698**	1,107,440	1,916,231
Deferred revenues	**222**	9,469	8,602
Deferred income tax liabilities - net	**431,648**	420,514	600,160
Retirement benefits payable	**6,313**	9,184	4,212
Other noncurrent liabilities	**130,773**	170,050	175,746
Total Noncurrent Liabilities	**1,544,654**	1,716,657	2,704,951
Total Liabilities	**4,220,061**	3,555,060	4,780,001
Equity Attributable to Equity Holders of the Parent			
Capital stock - 1 par value	**2,500,000**	2,500,000	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614	1,605,614
Cumulative translation adjustment	**406,139**	295,801	380,244
Equity reserve on acquisition of noncontrolling interest	**(26,357)**	(26,357)	(26,357)
Unrealized valuation gains on FVOCI investments	**3,710**	14,158	11,741
Remeasurement on retirement benefits	**54,273**	57,995	37,609
Retained Earnings			
Appropriated	**7,150,000**	7,150,000	7,150,000
Unappropriated	**8,904,564**	9,239,630	6,802,093
Cost of shares held by a subsidiary	**(2,324,315)**	(2,324,315)	(2,226,273)
	18,273,628	18,512,526	16,234,671
Noncontrolling interests	**496,113**	458,645	512,829
Total Equity	**18,769,741**	18,971,171	16,747,500
TOTAL LIABILITIES AND EQUITY	**22,989,802**	22,526,231	21,527,501

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
		Restated (Note 1)
	2018	2017
REVENUES		
Sale of goods - net	**2,077,491**	1,743,386
Services	**371,296**	947,453
Dividend income	**63,183**	77,231
Interest income	**27,089**	22,861
Equity in net earnings (losses) of associates	**2,523**	(33,831)
	2,541,582	2,757,099
INVESTMENT GAINS		
Gain (loss) on sale of FVOCI investments	**(163)**	6,014
Gain (loss) on increase (decrease) in market values of FVPL investments	**(28,351)**	1,157,413
	(28,514)	1,163,427
TOTAL	**2,513,068**	3,920,526
Cost of goods sold	**(1,737,623)**	(1,471,095)
Services rendered	**(104,607)**	(548,330)
Operating expenses	**(317,837)**	(407,095)
Foreign exchange gain	**88,655**	5,757
Interest expense	**(18,659)**	(25,282)
Other charges - net	**(4,135)**	(122)
	(2,094,206)	(2,446,167)
INCOME BEFORE INCOME TAX	**418,863**	1,474,359
PROVISION FOR INCOME TAX - net	**107,876**	98,704
NET INCOME	**310,987**	1,375,655
Net Income Attributable to:		
Equity holders of the parent	**273,521**	1,349,512
Minority interest	**37,466**	26,143
	310,987	1,375,655
Earnings Per Share		
Basic/Diluted, for net income attributable to equity holders of the Parent	**0.22**	1.11

Note 1: Included account balances of Cirrus Medical Staffing, Inc. which was sold on October 19, 2017. PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended March 31	
	2018	Restated (Note 1) 2017
NET INCOME	**310,987**	1,375,655
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized valuation gains (losses) on FVOCI investments	**(15,088)**	16,052
Realized losses (gains) on sale of FVOCI investments	**163**	(6,014)
Unrealized loss on remeasurement of retirement benefits	**(3,722)**	(6,121)
Cumulative translation adjustment	**110,338**	31,249
Income tax effect	**4,478**	(3,340)
OTHER COMPREHENSIVE INCOME	**96,169**	31,826
TOTAL COMPREHENSIVE INCOME	**407,156**	1,407,481

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	RESTATED (Note 1)										
	Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on FVOCI Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	11,741	37,609	380,244	7,150,000	6,802,093	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	4,861	(4,284)	31,249	-	1,349,512	-	26,143	1,407,481
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares held by a subsidiary	-	-	-	-	-	-	-	-	(78,178)	-	(78,178)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	(37,966)	(37,966)
Balance at 03/31/2017	2,500,000	1,605,614	(26,357)	16,602	33,324	411,494	7,150,000	7,907,244	(2,304,451)	501,006	17,794,476
Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	14,158	57,995	295,801	7,150,000	9,239,630	(2,324,315)	458,645	18,971,170
Comprehensive income	-	-	-	(10,448)	(3,722)	110,338	-	273,521	-	37,466	407,156
Cash dividends - net	-	-	-	-	-	-	-	(608,587)	-	-	(608,587)
Movement in noncontrolling interests	-	-	-	-	-	-	-	-	-	3	3
Balance at 03/31/2018	**2,500,000**	**1,605,614**	**(26,357)**	**3,710**	**54,273**	**406,139**	**7,150,000**	**8,904,564**	**(2,324,315)**	**496,113**	**18,769,742**

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2018	Restated (Note 1) 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**418,863**	1,474,359
Adjustment for:		
Depreciation and amortization	**63,090**	64,513
Loss (gain) on decrease (increase) in market values of FVPL investments	**28,351**	(1,157,413)
Interest expense	**18,659**	25,282
Loss (gain) on sale of FVOCI investments	**163**	(6,014)
Valuation allowances - net	**94**	275
Foreign exchange gain - net	**(78,695)**	(3,133)
Dividend income	**(63,183)**	(77,231)
Interest income	**(27,089)**	(22,861)
Equity in net losses (earnings) of associates	**(2,523)**	33,831
Gain on sale of property and equipment	**(41)**	-
Operating income before working capital changes	**357,688**	331,609
Increase in:		
FVPL investments	**(66,772)**	(64,235)
Receivables	**(341,200)**	(19,193)
Inventories	**(362,351)**	(168,880)
Increase (decrease) in:		
Accounts payable and accrued expenses	**139,694**	23,322
Retirement benefits payable	**(6,593)**	(4,258)
Net cash generated from (used in) operations	**(279,534)**	98,365
Dividend received	**63,183**	77,231
Interest received	**26,996**	22,578
Interest paid	**(18,659)**	(25,282)
Income taxes paid	**(24,483)**	(47,945)
Net cash flows from (used in) operating activities	**(232,498)**	124,947

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended March 31	
	2018	Restated (Note 1) 2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
FVOCI investments	**13,217**	149,553
Property and equipment	**1,266**	-
Addition to:		
FVOCI investments	**-**	(183,774)
Investment properties	**(135)**	(1,219)
Property and equipment	**(34,594)**	(78,648)
Decrease (increase) in:		
Prepayments and other assets	**(30,263)**	(58,856)
Other noncurrent liabilities	**(39,277)**	12,175
Advances to affiliates	**9,237**	3,608
Net cash flows used in investing activities	**(80,549)**	(157,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Long-term debt	**(156,909)**	(270,392)
Notes payable	**-**	(88,635)
Dividends	**-**	(294)
Company shares purchased by a subsidiary	**-**	(78,178)
Increase (decrease) in:		
Deferred revenue	**(9,248)**	82
Minority interest	**3**	(37,966)
Net cash flows used in financing activities	**(166,153)**	(475,383)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**50,907**	988
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(428,293)**	(506,610)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,255,535**	2,403,740
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,827,242**	1,897,130

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

		Restated (Note 1)	
	March 31	December 31	January 1
	2018	2017	2017
ASSETS			
Cash and Cash Equivalents	**1,595,390**	1,696,679	836,979
Fair Value through Profit and Loss (FVPL) Investments	**9,278,494**	9,215,965	7,959,322
Fair Value through Other Comprehensive Income (FVOCI) Investments	**685,864**	684,500	847,825
Receivables - net	**151,427**	152,725	160,642
Investments and Advances- net	**7,077,286**	7,069,111	7,872,221
Property and Equipment - net	**18,842**	21,152	23,922
Retirement Plan Asset	**87,464**	87,464	51,022
Other Assets	**1,114**	921	844
TOTAL ASSETS	**18,895,881**	18,928,517	17,752,778
LIABILITIES AND EQUITY			
Liabilities			
Accounts Payable and Accrued Expenses	**678,070**	40,466	42,063
Dividends Payable	**861,141**	252,554	241,914
Long-term Debt	**939,726**	1,011,083	1,566,180
Deferred Income Tax Liabilities - net	**93,784**	80,632	60,130
Total Liabilities	**2,572,721**	1,384,735	1,910,288
Equity			
Capital Stock - 1 Par Value	**2,500,000**	2,500,000	2,500,00
Additional Paid-in Capital	**1,589,800**	1,589,800	1,589,800
Unrealized Valuation Gains on FVOCI Investments	**3,710**	14,158	11,741
Remeasurement on Retirement Benefits	**53,817**	53,817	28,451
Retained Earnings			
Appropriated	**7,150,000**	7,150,000	7,150,000
Unappropriated	**5,025,833**	6,236,007	4,562,499
Total Equity	**16,323,160**	17,543,782	15,842,490
TOTAL LIABILITIES AND EQUITY	**18,895,881**	18,928,517	17,752,778

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2018	Restated (Note 1) 2017
REVENUES		
Dividend income	**63,183**	99,435
Interest income	**26,710**	22,311
Management fees	**22,029**	17,357
	111,922	139,103
INVESTMENT GAINS		
Gains (loss) on increase (decrease) in market values of FVPL investments	**(34,037)**	1,157,147
Gain on sale of FVOCI investments	**(163)**	6,014
	(34,200)	1,163,161
TOTAL	**77,722**	1,302,264
Operating expenses	**(96,686)**	(89,061)
Interest expense	**(10,337)**	(12,401)
Foreign exchange gain	**84,152**	4,931
Other income - net	**2,604**	63
	(20,267)	(96,467)
INCOME BEFORE INCOME TAX	**57,455**	1,205,797
PROVISION FOR INCOME TAX - NET	**17,629**	6,999
NET INCOME	**39,826**	1,198,798
Earnings Per Share	**0.02**	0.48

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended March 31	
	2018	Restated (Note 1) 2017
NET INCOME	**39,826**	1,198,798
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized valuation gain (loss) on FVOCI investments	**(15,088)**	16,052
Realized loss (gains) on Sale of FVOCI investments	**163**	(6,014)
Income Tax Effect	**4,478**	(3,011)
OTHER COMPREHENSIVE INCOME (LOSS)	**(10,448)**	7,027
TOTAL COMPREHENSIVE INCOME	**29,378**	1,205,825

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	RESTATED (Note 1)						
	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on FVOCI Investments	Unrealized Actuarial Gain	Retained Earnings		Total
					Appropriated	Unappropriated	
Balance at 12/31/2016	2,500,000	1,589,800	11,741	28,451	7,150,000	4,562,499	15,842,490
Comprehensive income	-	-	7,027	-	-	1,198,798	1,205,825
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Balance at 03/31/2017	2,500,000	1,589,800	18,767	28,451	7,150,000	5,261,297	16,548,315
Balance at 12/31/2017	2,500,000	1,589,800	14,158	53,817	7,150,000	6,236,007	17,543,782
Comprehensive income	-	-	(10,448)	-	-	39,826	29,378
Cash dividends	-	-	-	-	-	(1,250,000)	(1,250,000)
Balance at 03/31/2018	**2,500,000**	**1,589,800**	**3,710**	**53,817**	**7,150,000**	**5,025,833**	**16,323,160**

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
		Restated (Note 1)
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**57,455**	1,205,797
Adjustment for:		
Loss (gain) on decrease (increase) in market values of FVPL investments	**34,037**	(1,157,147)
Interest expense	**10,337**	12,401
Depreciation and amortization	**2,285**	2,091
Gain on sale of FVOCI investments	**163**	(6,014)
Unrealized foreign exchange loss	**(84,152)**	(4,931)
Dividend income	**(63,183)**	(99,435)
Interest income	**(26,710)**	(22,311)
Gain on sale of property and equipment	**(41)**	-
Operating loss before working capital changes	**(69,809)**	(69,549)
Decrease (increase):		
Receivables	**1,298**	33,649
FVPL investments	**(42,267)**	(48,549)
Decrease in accounts payable and accrued expenses	**(3,809)**	(2,652)
Net cash used in operations	**(114,588)**	(87,102)
Dividend received	**63,183**	99,435
Interest received	**26,617**	22,029
Interest paid	**(10,337)**	(12,401)
Net cash flows from (used in) operating activities	**(35,125)**	21,961
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
FVOCI investments	**13,217**	149,553
Property and equipment	**1,266**	-

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended March 31	
	2018	Restated (Note 1) 2017
Additions to:		
FVOCI investments	**-**	(183,774)
Property and equipment	**(1,200)**	(588)
Increase in:		
Advances to affiliates	**(8,174)**	(56,039)
Other assets	**(193)**	(353)
Net cash flows from (used in) investing activities	**4,915**	(91,201)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Long-term debt	**(117,484)**	(225,225)
Net cash flows used in financing activities	**(117,484)**	(225,225)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**46,405**	162
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(101,289)**	(294,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,696,679**	836,979
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,595,390**	542,676

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
03/31/2018							
REVENUE	2,077,491	312,707	712,672	77,722	3,180,592	(667,524)	**2,513,068**
NET INCOME	180,965	92,123	644,752	39,826	957,665	(646,678)	**310,987**
TOTAL ASSETS	4,227,479	1,574,962	13,182,122	18,889,548	37,874,111	(14,884,309)	**22,989,802**
INVESTMENTS PORTFOLIO *	15,367	90,471	12,540,910	17,035,311	29,682,059	(17,189,249)	**12,492,810**
PROPERTY & EQUIPMENT	624,021	800,338	93,920	18,842	1,537,121	1,101,347	**2,638,468**
TOTAL LIABILITIES	1,372,152	475,539	2,824,021	2,572,722	7,244,434	(3,024,373)	**4,220,060**
DEPRECIATION AND AMORTIZATION	17,966	25,210	10,966	2,285	56,427	6,663	**63,090**

	Before Eliminations							
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	Eliminations	After Eliminations Consolidated
Restated - 03/31/2017								
REVENUE	645,238	1,743,386	247,354	325,991	1,302,264	4,264,233	(343,707)	3,920,526
NET INCOME	44,991	141,771	55,636	251,690	1,198,798	1,692,886	(317,231)	1,375,655
TOTAL ASSETS	1,142,749	4,054,407	1,575,228	11,825,168	18,755,018	37,352,571	(14,785,607)	22,566,965
INVESTMENTS PORTFOLIO *	-	12,057	103,751	11,513,545	18,010,712	29,640,064	(17,051,681)	12,588,383
PROPERTY & EQUIPMENT	4,244	615,376	786,337	106,490	22,418	1,534,867	1,127,998	2,662,866
TOTAL LIABILITIES	578,078	1,533,285	506,573	3,793,619	2,206,703	8,618,258	(3,845,769)	4,772,489
DEPRECIATION AND AMORTIZATION	467	20,346	25,443	9,504	2,091	57,850	6,663	64,513

* ***Inclusive of FVPL investments, FVOCI investments, advances & investments and investment properties.***
** ***Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA. This investment was sold on October 19, 2017.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at FVPL) and FVOCI investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Thousand Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not applicable to the Group since it has no share-based payment transactions.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Effective January 1, 2018, the Group adopted PFRS 9. The adoption covers the following changes in accounting policies in 2018:

(a) *Classification and measurement*

Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement.

Quoted and unquoted equity shares previously held as AFS are now measured at fair value through profit or loss, causing an increase volatility in profit or loss.

(b) *Impairment*

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality.

The Group applied PFRS 9 retrospectively resulting to prior period restatements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and supersedes all current revenue recognition requirements under PFRSs.

  The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is material for the Group.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Alternatively, an entity, may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

New Accounting Standards, Interpretations and Amendments to
<u>Existing Standards Effective Subsequent to December 31, 2017</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Entities shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at March 31, 2018 and December 31, 2017:

		Percentage of Ownership	
	Nature of Business	**2018**	2017
A. Soriano Air Corporation	Services/Rental	**100**	100
Pamalican Island Holdings, Inc.	Holding	**62**	62
Island Aviation, Inc.	Air Transport	**62**	62
Anscor Consolidated Corporation	Holding	**100**	100
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	**100**	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100
Lakeroad Corp.	Real Estate Holding	**100**	100
Mainroad Corp.	Real Estate Holding	**100**	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100

	Nature of Business	Percentage of Ownership	
		2018	2017
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100
Mountainridge Corp.	Real Estate Holding	**100**	100
Rollingview Corp.	Real Estate Holding	**100**	100
Timbercrest Corp.	Real Estate Holding	**100**	100
Anscor International, Inc.	Holding	**100**	100
IQ Healthcare Investments Limited	Manpower Services	**100**	100
Phelps Dodge International Philippines, Inc.	Holding	**100**	100
Minuet Realty Corporation	Landholding	**100**	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	**100**	100
PD Energy International Corporation	Wire Manufacturing	**100**	100
Sutton Place Holdings, Inc.	Holding	**100**	100
Cirrus Global, Inc.	Manpower Services	**93**	93
IQ Healthcare Professional Connection, LLC	Manpower Services	**93**	93
AFC Agribusiness Corporation	Real Estate Holding	**81**	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	**62**	62
Pamalican Resort, Inc.	Resort Operations	**62**	62
Summerside Corp.	Investment Holdings	**40**	40

Except for AI and IQHPC, the above companies are all based in the Philippines. The principal business location of AI is in the British Virgin Islands (BVI), while IQHPC is based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

Current Versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2018**	2017
Associates			
Prople Limited	Business Process Outsourcing	**32**	32
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32
AGP International Holdings Ltd. (AGPI) *	Holding	**27**	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	**21**	21
ATRAM Investment Management Partners Corp. (AIMP)	Asset Management	**20**	20

** Its associate is engaged in modular steel fabrication.*

In 2016, AI converted its notes receivable from Prople Limited and BM equity. The conversion and additional investment increased the Company's shareholdings, making Prople Limited and BM associates of the Group.

In 2017, Anscor purchased additional shares in AIMP which resulted to an increase in ownership allowing the Group to exercise significant influence over the investee.

The principal business location of AIMP and VHI is the Philippines. AGPI, BM and Prople Limited are based in BVI, United States of America and Hongkong, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

<u>Asset Acquisitions</u>

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

<u>Disposal Group and Discontinued Operations</u>

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVOCI equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVOCI financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. From January 1, 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortized cost, FVOCI investments or FVPL investments.

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of March 31, 2018 and December 31, 2017, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL
The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of March 31, 2018 and December 31, 2017.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of March 31, 2018 and December 31, 2017, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of March 31, 2018 and December 31, 2017.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to employees and other receivables.

(c) Debt instruments at FVOCI

The Group applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments lcomprise assets that had previously been classified as financial investments available-for-sale under PAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of March 31, 2018 and December 31, 2017, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of March 31, 2018 and December 31, 2017, there were no financial instruments classified as HTM.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities
A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

FVOCI investments

In the case of debt instruments classified as FVOCI investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

<u>Day 1 Difference</u>

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Sale of real estate

Revenue of villa lots is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. and UAE hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. and UAE hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.
Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group’s investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer's Deposit for Property Development

Customers' deposit for property development, which pertain to advance payment by a villa buyer that is required to start and complete the villa development, is recognized at the fair value of the deposit received. Upon completion of the sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of March 31, 2018 and December 31, 2017.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Operating lease commitments - the Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Assessment of control over the entities for consolidation

The Group has wholly owned, majority and minority-owned subsidiaries. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of FVOCI debt investments
For FVOCI debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment.

Estimation of allowance for inventory and impairment losses
The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Investments carried under the equity method
Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended March 31, 2018.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, Corporate Development Officer and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit quality per class of financial assets
For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Liquidity risk
Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

e. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market.

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital Management

The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objective through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the period ended March 31, 2018.

6. Financial Instruments

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

(In thousand pesos)	**March 31, 2018**		**Restated December 31, 2017**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Quoted equity shares	**₱7,024,196**	**₱7,024,196**	₱7,003,083	₱7,003,083
Bonds and convertible note	**725,862**	**725,862**	833,776	833,776
Funds and equities	**619,030**	**619,030**	491,140	491,140
Proprietary shares	**200,320**	**200,320**	194,320	194,320
Unquoted equity shares	**1,276,091**	**1,276,091**	1,209,745	1,209,745
	9,845,500	**9,845,500**	9,732,063	9,732,063
FVOCI investments:				
Bonds and convertible note	**685,864**	**685,864**	684,500	684,500
	685,864	**685,864**	684,500	684,500
	₱10,531,363	**₱10,531,363**	₱10,416,563	₱10,416,563

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities, quoted equity shares, proprietary shares and others are derived from quoted market prices in active markets.

- FVPL investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- FVOCI investments in bonds is derived from quoted market prices in active markets.

The following table provides the Group's fair value measurement hierarchy of its assets:

As of March 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	**₱7,024,196**	**₱7,024,196**	**₱–**	**₱–**
Bonds and convertible note	**725,862**	**725,862**	**–**	**–**
Funds and equities	**619,030**	**619,030**	**–**	**–**
Proprietary shares	**200,320**	**200,320**	**–**	**–**
Unquoted equity shares	**1,276,091**	**–**	**–**	**1,276,091**
	9,845,500	**8,569,409**	**–**	**1,276,091**
FVOCI investments:				
Bonds and convertible note	**685,864**	**685,864**	**–**	**–**
	685,864	**685,864**	**–**	**–**
	₱10,531,363	**₱9,255,272**	**₱–**	**₱1,276,091**

Restated, as of December 31, 2017:

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱7,003,083	₱7,003,083	₱–	₱–
Bonds and convertible note	833,776	833,776	–	–
Funds and equities	491,140	491,140	–	–
Proprietary shares	194,320	194,320	–	–
Unquoted shares	1,209,745	–	–	1,209,745
	9,732,063	8,522,319	–	1,209,745
FVOCI investments:				–
Bonds and convertible note	684,500	684,500	–	–
	684,500	684,500	–	–
	₱10,416,563	₱9,206,819	₱–	₱1,209,745

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Dividend payout is 110.0 million with 3% annual increase	0% to 5%	0% fair value of ₱607 5% fair value of ₱926
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱861 30% fair value of ₱670
		Cost of equity of 14.50%	13% to 15%	13%: fair value of ₱880 15% fair value of ₱733

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of FVPL assets in unquoted equity shares (in millions):

	KSA
As at 1 January 2016	₱516
Purchases	237
As at 31 December 2016	753
Purchases	–
As at 31 March 2018	**₱753**

For the periods ended March 31, 2018 and December 31, 2017, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments,* which resulted to restatement of December 31, 2017 balances*.*

There was no other significant change in the Company's Consolidated Balance Sheet as of March 31, 2018 versus December 31, 2017.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in operations, investing and financing activities amounting to P479.2 million partially offset by higher foreign exchange rate difference in the cash and cash equivalents.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The increase in the account can be attributed to the net additions for the period of about P66.8 million and unrealized foreign exchange gain related to foreign denominated investments amounting to P75.0 million offset by the decrease of P28.4 million in market value of foreign denominated investment in bonds, stocks and funds.

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Receivables

The increase in receivables was mainly due to improved revenues of the wire manufacturing businesses.

Inventories

The increase was due to higher level of finished goods and raw materials inventories of the wire manufacturing subsidiary and additions to spare parts and supplies by the aviation and resort subsidiaries.

Prepayments and other current assets

Increase in this account can be attributed mainly to prepaid expenses related to aviation, manufacturing and resort operations.

Investments and Advances

The increase in investments and advances was mainly due to unrealized foreign exchange gain related to foreign equity investment amounting to P79.7 million.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P63.1 million while net additions to property and equipment amounted to P33.4 million, mainly attributable to capital expenditures of the manufacturing, aviation and resort subsidiaries.

Other Noncurrent Assets

Change in the account balance can be attributed to the additional refundable deposits made by aviation subsidiary in relation to the maintenance service plan for its aircrafts.

Accounts Payable and Accrued Expenses

The increase was mainly attributable to the recorded liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Dividends Payable

On February 22, 2018, the Parent Company approved the declaration of cash dividends of P0.50 per share (P0.30 per share special and P0.20 per share regular) to shareholders, which was paid on April 18, 2017.

Income Tax Payable

Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for three months of 2018, partially offset by income taxes paid during the period by the Group.

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to P156.9 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company and subsidiaries when translated to the exchange rate as of March 31, 2018.

Deferred Income Tax Liabilities

Minimal increase in the account was mainly due to the deferred tax effect on accrued management fees and unrealized foreign exchange gain offset by deferred tax benefit on the decrease in value of FVOCI & FVPL investments.

Other noncurrent liabilities

Decrease in the account balance was mainly due to the use of deposit from villa owners for back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)

This account includes translation adjustments of Anscor International, Inc., and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by P110.3 million.

Unrealized valuation gains on FVOCI investments (equity portion)
Decrease in the account is attributable to the decline in market values of FVOCI investments - bonds, from January 1 to March 31, 2018.

Others
There were no commitments for major capital expenditures in 2018.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments,* which resulted to restatement of March 31, 2017 balances.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended March 31	
	2018	*Restated 2017*
Revenues (excluding investment gains or losses)	***111,922***	*139,103*
Investment Gains	***(34,200)***	*(1,163,161)*
Net Income	***39,826***	*1,198,798*
Earnings Per Share	***0.02***	*0.48*
Market Price Per Share (PSE)	***6.64***	*6.10*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
This year's consolidated gross revenues of P2.5 billion was slightly lower than last year's revenue of P3.9 billion as 2018 figure had no revenues from the staffing business in the USA which was sold in October 2017. Sales revenue of PDP Energy, was higher by P457.9 million or 9.7%. Also, resort operations reported improved revenues. These were offset by the decline in market values of FVPL investments.

Cost of Goods Sold

Increase in cost of goods sold was mainly attributable to higher cost of goods of the wire manufacturing subsidiary due to their increased revenues.

Services Rendered

Cost of service rendered of CMSI was no longer consolidated which primarily explained decrease in the cost of services for 2018.

Operating Expenses

Operating expenses of CMSI was included in the first quarter 2017, which effectively lowered the Group operating expenses for three months of 2018 without CMSI's expenses since CMSI was no longer consolidated when it was sold on October 19, 2017.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its foreign currency denominated investments in financial assets offset by foreign exchange loss on its dollar denominated loan.

Interest Expense

Amount in 2018 was slightly lower than 2017 due to payment of long-term loan by the parent company and PDP.

Provision for Income Tax - net

The current provision for income tax of the Group slightly increased due higher income tax of PDP and the resort for the period ended March 31, 2018.

Noncontrolling Interests (statements of income)

Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for three months of 2018.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,282,826,746 shares of Anscor.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended March 31	
	2018	*2017*
Volume sold (MT)	**4,185**	*4,094*
Revenue	**2,077,491**	*1,743,386*
Net Income	***180,965***	*141,771*

Volume sold was higher than last year, the PDP Energy's revenue increased by 19.2% in 2018 as against 2017's revenues.

PDP recorded a net income of P181.0 million for 3 months of 2018, higher than the P141.8 million profit recorded last year

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 59.4% for 1st quarter of 2018, higher than the 2017 average occupancy rate of 58.6%. Average room rate was P73,515, higher from last year's average room rate of P63,313. Total hotel revenues amounted to P312.7 million, an improvement from last year's revenues of P247.4 million partially helped by the appreciation of the Philippine peso vis-à-vis US$. Gross operating profit (GOP) of P173.7 million increased by P54.4 million versus 2017's GOP.

Seven Seas reported a consolidated net income of P92.1 million for three months of 2018, higher by 65.6% from last year's net income of P55.6 million.

12. Financial Indicators

Significant financial indicators of the Group are the following:

		03/31/2018	Restated 03/31/2017
1.	Book Value Per Share (Note 1)	**15.01**	14.17
2.	Current Ratio (Note 2)	**6.02**	6.40
3.	Interest Rate Coverage Ratio (Note 3)	**23.45**	59.32
4.	Debt to Equity Ratio (Note 4)	**0.23**	0.28
5.	Asset to Equity Ratio (Note 5)	**1.26**	1.30
6.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**10.9%**	34.4%
7.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**1.5%**	7.8%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	03/31/2018	03/31/2017
1. Volume	**4,185**	*4,094*
2. Revenue	**2,077,491**	1,743,386
3. Net income	**180,965**	141,771

Seven Seas Group

In Thousand Pesos

	03/31/2018	0/31/2017
1. Occupancy rate	**59.4%**	58.6%
2. Hotel revenue	**312,707**	247,354
3. Gross operating profit (GOP)	**173,701**	119,170
4. GOP ratio	**55.6%**	48.2%
5. Net income	**92,123**	55,636

Occupancy rate is based on actual room nights sold over available room nights on a 3-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

				P	W	2				

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q (AMENDED)	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	**Third Wednesday of April**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q (AMENDED)

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2018

2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Philippines
Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
VP- Asst. Corporate Secretary

Date: August 15, 2018

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: August 15, 2018

SEC Form17-Q (Amended)
August 15, 2018

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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	June 30	Restated (Note 1) December 31	Restated (Note 1) January 1
	2018	2017	2017
ASSETS			
Current Assets			
Cash and cash equivalents	**2,666,628**	3,255,535	2,403,740
Fair value through profit and loss (FVPL) investments	**8,584,032**	9,732,063	8,283,081
Receivables	**1,984,507**	1,783,449	2,167,502
Inventories	**1,060,456**	817,360	683,917
Property development in progress	**3,177**	3,177	3,177
Fair value through other comprehensive income (FVOCI) investments - current	**32,113**	30,165	47,729
Prepayments	**38,102**	18,036	18,677
Other current assets	**27,746**	50,189	151,401
Total Current Assets	**14,396,760**	15,689,974	13,759,222
Noncurrent Assets			
FVOCI investments - net of current portion	**835,561**	654,335	800,097
Investments and advances	**1,883,018**	1,651,840	1,943,574
Goodwill	**1,302,276**	1,302,276	1,889,496
Property and equipment	**2,598,884**	2,668,189	2,648,731
Investment properties	**236,957**	236,522	234,878
Retirement plan asset	**93,707**	93,707	60,191
Deferred tax assets	**61,063**	61,082	62,305
Other noncurrent assets	**169,266**	168,306	129,007
Total Noncurrent Assets	**7,180,732**	6,836,256	7,768,278
TOTAL ASSETS	**21,577,492**	22,526,231	21,527,501

LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	**200,000**	0	91,948
Accounts payable and accrued expenses	**793,785**	908,931	969,799
Dividends payable	**290,607**	252,554	242,208
Income tax payable	**105,603**	65,633	141,745
Current portion of long-term debt	**632,493**	611,284	629,350
Total Current Liabilities	**2,022,488**	1,838,403	2,075,050

(Forward)

Note 1: PFRS 9 retroactively applied.

		Restated (Note 1)	
	June 30	December 31	January 1
	2018	2017	2017
Noncurrent Liabilities			
Long-term debt - net of current portion	**838,596**	1,107,440	1,916,231
Deferred income tax liabilities - net	**424,505**	420,514	600,160
Retirement benefits payable	**6,538**	9,184	4,212
Other noncurrent liabilities	**131,176**	179,519	184,348
Total Noncurrent Liabilities	**1,400,815**	1,716,658	2,704,951
Total Liabilities	**3,423,304**	3,555,061	4,780,001
Equity Attributable to Equity Holdings of the Parent			
Capital stock - 1 par value	**2,500,000**	2,500,000	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614	1,605,614
Cumulative translation adjustment	**468,854**	295,801	380,244
Equity reserve on acquisition of noncontrolling interest	**(26,357)**	(26,357)	(26,357)
Unrealized valuation gains on FVOCI investments	**(7,444)**	14,158	11,741
Remeasurement on retirement benefits	**54,273**	57,995	37,609
Retained Earnings			
Appropriated	**7,150,000**	7,150,000	7,150,000
Unappropriated	**8,250,985**	9,239,630	6,802,093
Cost of shares held by a subsidiary	**(2,324,315)**	(2,324,315)	(2,226,273)
	17,671,611	18,512,525	16,234,671
Noncontrolling interests	**482,578**	458,645	512,829
Total Equity	**18,154,189**	18,971,170	16,747,500
TOTAL LIABILITIES AND EQUITY	**21,577,492**	22,526,231	21,527,501

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	**2018**	2017
REVENUES				
Sale of goods - net	**4,006,528**	3,276,295	**1,929,037**	1,532,909
Equity in net earnings of associates	**3,553**	-	**1,030**	33,831
Services	**732,301**	1,868,438	**361,005**	920,985
Interest income	**53,480**	45,379	**26,391**	22,518
Dividend income	**219,621**	173,067	**156,437**	95,836
	5,015,483	5,363,178	**2,473,901**	2,606,079
INVESTMENT GAINS (LOSSES)				
Gain (loss) on sale of FVOCI investments	**(163)**	10,678	**-**	4,664
Gain (loss) on increase (decrease) in market values of FVPL investments	**(1,135,659)**	1,543,285	**(1,107,308)**	385,872
	(1,135,822)	1,553,963	**(1,107,308)**	390,536
TOTAL	**3,879,661**	6,917,141	**1,366,593**	2,996,615
Cost of goods sold	**(3,337,876)**	(2,739,975)	**(1,600,253)**	(1,268,880)
Services rendered	**(235,683)**	(1,141,652)	**(131,076)**	(593,322)
Operating expenses	**(577,954)**	(761,507)	**(260,117)**	(354,413)
Foreign exchange gain	**138,666**	11,034	**50,011**	5,277
Interest expense	**(39,658)**	(46,248)	**(20,999)**	(20,967)
Other income - net	**48,465**	22,839	**52,600**	22,962
	(4,004,039)	(4,655,511)	**(1,909,834)**	(2,209,343)
INCOME (LOSS) BEFORE INCOME TAX	**(124,378)**	2,261,630	**(543,241)**	787,272
PROVISION FOR INCOME TAX - net	**192,557**	191,264	**84,681**	92,103
NET INCOME (LOSS)	**(316,935)**	2,070,367	**(627,922)**	695,168
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gains (losses) on FVOCI investments	**(31,022)**	16,078	**(15,934)**	26
Realized losses (gains) on sale of FVOCI investments	**163**	(10,678)	**-**	(4,664)
Unrealized loss on remeasurement of retirement benefits	**(5,316)**	(6,121)	**(1,595)**	-
Cumulative translation adjustment	**173,053**	36,020	**62,715**	4,771
Income tax effect	**10,853**	(1,595)	**6,375**	1,290
OTHER COMPREHENSIVE INCOME	**147,730**	33,705	**51,561**	1,422
TOTAL COMPREHENSIVE INCOME (LOSS)	**(169,205)**	2,104,071	**(576,361)**	696,590

(Forward)

Note 1: Included account balances of Cirrus Medical Staffing, Inc. which was sold October 19, 2017. PFRS 9 retroactively applied.

	Periods Ended June 30		Quarters Ended June 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
Net Income (Loss) Attributable to:				
Equity holders of the parent	**(380,058)**	2,027,859	**(653,579)**	678,803
Minority interest	**63,122**	42,508	**25,657**	16,365
	(316,935)	2,070,367	**(627,922)**	695,168
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the parent	**(232,327)**	2,061,563	**(602,018)**	680,225
Minority interest	**63,122**	42,508	**25,657**	16,365
	(169,205)	2,104,071	**(576,361)**	696,590
Earnings (Loss) Per Share				
Net Income (Loss)				
Basic/Diluted, for net income (loss) attributable to equity holders of the Parent	**(0.31)**	1.67	**(0.54)**	0.56
Total Comprehensive Income (Loss)				
Basic/Diluted, for total comprehensive income (loss) attributable to equity holders of the Parent	**(0.19)**	1.69	**(0.49)**	0.56

Note 1: Included account balances of Cirrus Medical Staffing, Inc. which was sold on October 19, 2017. PFRS 9 retroactively applied.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	RESTATED (Note 1)										
	Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on FVOCI Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	1,899,777	37,609	380,244	7,150,000	4,914,057	(2,226,273)	512,829	16,747,500
Restatement of Beg. Bal., PFRS 9	-	-	-	(1,888,036)	-	-	-	1,888,036	-	-	-
Restated, Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	11,741	37,609	380,244	7,150,000	6,802,093	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	1,969	(4,284)	36,020	-	2,027,859	-	42,508	2,104,071
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(95,917)	-	(95,917)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(37,912)	(37,912)
Restated, Balance at 06/30/2017	**2,500,000**	**1,605,614**	**(26,357)**	**13,710**	**33,324**	**416,264**	**7,150,000**	**8,585,591**	**(2,322,190)**	**517,425**	**18,473,381**
Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	3,003,272	57,995	295,801	7,150,000	6,250,516	(2,324,315)	458,645	18,971,170
Restatement of Beg. Bal., PFRS 9	-	-	-	(2,989,114)	-	-	-	2,989,114	-	-	-
Restated, Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	14,158	57,995	295,801	7,150,000	9,239,630	(2,324,315)	458,645	18,971,170
Comprehensive income	-	-	-	(21,601)	(3,722)	173,053	-	(380,058)	-	63,122	(169,205)
Cash dividends - net	-	-	-	-	-	-	-	(608,587)	-	-	(608,587)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(39,189)	(39,189)
Restated, Balance at 06/30/2018	**2,500,000**	**1,605,614**	**(26,357)**	**(7,444)**	**54,273**	**468,854**	**7,150,000**	**8,250,985**	**(2,324,315)**	**482,578**	**18,154,189**

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**(124,378)**	2,261,630	**(543,241)**	787,272
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	**1,135,659**	(1,543,285)	**1,107,308**	(385,872)
Depreciation and amortization	**126,544**	125,522	**63,454**	61,009
Interest expense	**39,658**	46,248	**20,999**	20,967
Valuation allowances - net	**200**	571	**106**	295
Loss (gain) on sale of FVOCI investments	**163**	(10,678)	**-**	(4,664)
Dividend income	**(219,621)**	(173,067)	**(156,437)**	(95,836)
Foreign exchange gain - net	**(91,283)**	(15,909)	**(12,588)**	(12,776)
Interest income	**(53,480)**	(45,379)	**(26,391)**	(22,518)
Equity in net earnings of associates	**(3,553)**	-	**(1,030)**	(33,831)
Gain on sale of property and equipment	**(103)**	(17,352)	**(63)**	(17,352)
Operating income before working capital changes	**809,806**	628,303	**452,118**	296,693
Decrease (increase) in:				
FVPL investments	**92,369**	91,578	**159,141**	70,515
Receivables	**(201,259)**	221,279	**139,941**	240,472
Inventories	**(243,096)**	(284,629)	**119,255**	(115,750)
Increase (decrease) in:				
Accounts payable and accrued expenses	**(115,147)**	(205,170)	**(254,841)**	(228,492)
Retirement benefits payable	**(6,367)**	(7,265)	**225**	(3,007)
Net cash generated from operations	**336,306**	444,095	**615,840**	260,432
Dividend received	**219,621**	173,067	**156,437**	95,836
Interest received	**53,305**	46,074	**26,309**	23,496
Interest paid	**(39,658)**	(46,248)	**(20,999)**	(20,967)
Income taxes paid	**(139,319)**	(251,356)	**(114,836)**	(203,412)
Net cash flows from operating activities	**430,254**	365,631	**662,752**	155,386

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended June 30		Quarters Ended June 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	**2018**	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	**33,945**	1,511,732	**20,728**	1,114,016
Property and equipment	**1,268**	19,250	**2**	19,250
Addition to:				
FVOCI investments	**(199,140)**	(1,360,631)	**(199,140)**	(843,396)
Long-term investments	**(102,946)**	-	**(102,946)**	-
Investment properties	**(435)**	(1,429)	**(300)**	(210)
Property and equipment	**(58,403)**	(152,797)	**(23,809)**	(74,150)
Decrease (increase) in:				
Prepayments and other assets	1,417	(59,118)	**31,679**	(261)
Other noncurrent liabilities	**(39,102)**	22,021	**176**	9,847
Advances to affiliates	991	4,924	**(8,246)**	1,316
Net cash flows from (used in) investing activities	**(362,405)**	(16,048)	**(281,856)**	226,412
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term debt	**(317,316)**	(528,682)	**(160,407)**	(258,290)
Proceeds (payment) of:				
Notes payable	**200,000**	(46,794)	**200,000**	41,841
Dividends	(608,587)	(244,656)	**(608,587)**	(244,361)
Company shares purchased by a subsidiary	-	(95,917)	**-**	(17,739)
Increase (decrease) in:				
Deferred revenue	**(9,242)**	129	**6**	47
Minority interest	**(39,189)**	(37,912)	**(39,192)**	54
Net cash flows used in financing activities	**(774,334)**	(953,832)	**(608,180)**	(478,449)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**79,525**	2,788	**28,617**	1,800
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(626,960)**	(601,461)	**(198,667)**	(94,851)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,255,535**	2,403,740	**2,827,242**	1,897,130
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,628,575**	1,802,279	**2,628,575**	1,802,279

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

		Restated (Note 1)	
	June 30 2018	December 31 2017	January 1 2017
ASSETS			
Cash and Cash Equivalents	**1,236,480**	1,696,679	836,979
Fair Value through Profit and Loss (FVPL) Investments	**8,005,924**	9,215,965	7,959,322
Fair Value through Other Comprehensive Income (FVOCI) Investments	**867,674**	684,500	847,825
Receivables - net	**179,729**	152,725	160,642
Investments and Advances- net	**6,981,639**	7,069,111	7,872,221
Property and Equipment - net	**19,032**	21,152	23,922
Retirement Plan Asset	**87,464**	87,464	51,022
Other Assets	**1,369**	921	844
TOTAL ASSETS	**17,379,310**	18,928,517	17,752,778
LIABILITIES AND EQUITY			
Liabilities			
Accounts Payable and Accrued Expenses	**34,678**	40,467	42,063
Dividends Payable	**290,607**	252,554	241,914
Long-term Debt	**842,972**	1,011,083	1,566,180
Deferred Income Tax Liabilities - net	**88,640**	80,632	60,130
Total Liabilities	**1,256,897**	1,384,736	1,910,288
Equity			
Capital Stock - 1 Par Value	**2,500,000**	2,500,000	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800	1,589,800
Unrealized Valuation Gains on FVOCI Investments	**(7,444)**	14,158	11,741
Remeasurement on Retirement Benefits	**53,817**	53,817	28,451
Retained Earnings			
Appropriated	**7,150,000**	7,150,000	7,150,000
Unappropriated	**4,836,241**	6,236,007	4,562,499
Total Equity	**16,122,414**	17,543,781	15,842,490
TOTAL LIABILITIES AND EQUITY	**17,379,310**	18,928,517	17,752,778

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
REVENUES				
Dividend income	**924,271**	442,026	**221,088**	342,591
Interest income	**51,925**	42,873	**25,215**	20,561
Management fees	**43,003**	31,374	**20,974**	14,017
	1,019,198	516,273	**267,276**	377,169
INVESTMENT GAINS (LOSSES)				
Gains (loss) on increase (decrease) in market values of FVPL investments	**(1,143,764)**	1,543,285	**(1,109,727)**	386,138
Gain (loss) on sale of FVOCI investments	**(163)**	10,678	**0**	4,664
	(1,143,927)	1,553,963	**(1,109,727)**	390,802
TOTAL	**(124,729)**	2,070,236	**(842,451)**	767,971
Operating expenses	**(134,788)**	(137,785)	**(38,101)**	(48,724)
Foreign exchange gain	**132,707**	9,523	**48,554**	4,592
Interest expense	**(21,550)**	(23,955)	**(11,212)**	(11,554)
Others – net	**17,053**	17,564	**14,449**	17,501
	(6,577)	(134,653)	**13,690**	(38,185)
INCOME (LOSS) BEFORE INCOME TAX	**(131,306)**	1,935,583	**(828,761)**	729,786
PROVISION FOR INCOME TAX - NET	**18,460**	10,866	**831**	3,867
NET INCOME (LOSS)	**(149,766)**	1,924,717	**(829,592)**	725,919
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on FVOCI investments	**(31,022)**	14,896	**(15,934)**	(1,156)
Realized loss (gains) on Sale of FVOCI investments	**163**	(10,678)	**-**	(4,664)
Income Tax Effect	**9,258**	(1,265)	**4,780**	1,746
OTHER COMPREHENSIVE INCOME (LOSS)	**(21,601)**	2,952	**(11,154)**	(4,074)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(171,367)**	1,927,669	**(840,746)**	721,844
Earnings (Loss) Per Share				
Net Income (Loss)	**(0.06)**	0.77	**(0.33)**	0.29
Total Comprehensive Income (Loss)	**(0.07)**	0.77	**(0.34)**	0.29

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	RESTATED (Note 1)						
	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on FVOCI Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2016	2,500,000	1,589,800	1,861,617	28,451	7,150,000	2,712,623	15,842,490
Restatement of Beg. Bal., PFRS 9	-	-	(1,849,877)	-	-	1,849,877	-
Restated, Balance at 12/31/2016	2,500,000	1,589,800	11,741	28,451	7,150,000	4,562,499	15,842,490
Comprehensive income	-	-	2,952	-	-	1,924,717	1,927,669
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Restated, Balance at 06/30/2017	2,500,000	1,589,800	14,693	28,451	7,150,000	5,987,216	17,270,159
Balance at 12/31/2017	2,500,000	1,589,800	2,964,562	53,817	7,150,000	3,285,603	17,543,782
Restatement of Beg. Bal., PFRS 9	-	-	(2,950,404)	-	-	2,950,404	-
Restated, Balance at 12/31/2017	2,500,000	1,589,800	14,158	53,817	7,150,000	6,236,007	17,543,781
Comprehensive income	-	-	(21,601)	-	-	(149,766)	(171,367)
Cash dividends	-	-	-	-	-	(1,250,000)	(1,250,000)
Restated, Balance at 06/30/2018	**2,500,000**	**1,589,800**	**(7,444)**	**53,817**	**7,150,000**	**4,836,241**	**16,122,414**

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	**(771,306)**	1,935,583	**(828,761)**	729,786
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	**1,143,764**	(1,543,285)	**1,109,727**	(386,138)
Interest expense	**21,550**	23,955	**11,212**	11,554
Depreciation and amortization	**4,631**	4,183	**2,346**	2,091
Loss (gain) on sale of FVOCI investments	**163**	(10,678)	**-**	(4,664)
Dividend income	**(284,271)**	(442,026)	**(221,088)**	(342,591)
Unrealized foreign exchange gain	**(132,707)**	(9,523)	**(48,554)**	(4,592)
Interest income	**(51,925)**	(42,873)	**(25,215)**	(20,561)
Gain on sale of property and equipment	**(41)**	(17,352)	**-**	(17,352)
Operating loss before working capital changes	**(70,142)**	(102,016)	**(333)**	(32,466)
Increase in receivables	**(27,004)**	34,758	**(28,302)**	1,109
Increase in FVPL investments	**146,272**	91,578	**188,540**	70,515
Increase (decrease) in accounts payable and accrued expenses	**(7,202)**	158,151	**(3,393)**	160,803
Net cash generated from operations	**41,924**	182,471	**156,512**	199,961
Dividend received	**284,271**	442,026	**221,088**	342,591
Interest received	**51,750**	43,568	**25,133**	21,539
Interest paid	**(21,550)**	(23,955)	**(11,212)**	(11,554)
Income tax paid	**(1,195)**	(930)	**(1,195)**	(930)
Net cash flows from operating activities	**355,201**	643,180	**390,326**	551,607
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	**33,945**	1,511,732	**20,728**	1,114,016
Property and equipment	**1,205**	17,352	**(60)**	17,352
Redemption of preferred shares	**10,000**	-	**10,000**	-

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended June 30		Quarters Ended June 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
Additions to:				
FVOCI investments	**(199,140)**	(1,231,476)	**(199,140)**	(729,926)
Long-term investments	**(102,946)**	-	**(102,946)**	-
Property and equipment	**(3,675)**	(3,422)	**(2,475)**	(2,834)
Increase in:				
Advances to affiliates	**180,418**	(167,708)	**188,592**	(111,669)
Other assets	**(447)**	(169)	**(254)**	184
Net cash flows from (used in) investing activities	**(80,640)**	126,309	**(85,555)**	287,122
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	**(237,791)**	(338,220)	**(120,308)**	(112,995)
Cash dividends	**(608,587)**	(500,000)	**(608,587)**	(500,000)
Net cash flows used in financing activities	**(846,378)**	(838,220)	**(728,894)**	(612,995)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**73,565**	1,230	**27,160**	1,068
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(498,252)**	(67,500)	**(396,963)**	226,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,696,679**	836,979	**1,595,390**	542,676
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,198,427**	769,479	**1,198,427**	769,479

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
06/30/2018							
REVENUE	4,006,528	595,676	795,060	(764,729)	4,632,536	(752,875)	**3,879,661**
NET INCOME (LOSS)	351,159	152,168	684,608	(789,766)	398,168	(715,104)	**(316,935)**
TOTAL ASSETS	4,319,494	1,485,506	12,279,007	17,341,257	35,425,264	(13,885,825)	**21,539,439**
INVESTMENTS PORTFOLIO *	15,367	90,583	11,796,744	15,855,237	27,757,931	(16,186,251)	**11,571,680**
PROPERTY & EQUIPMENT	612,689	789,400	83,079	19,032	1,504,199	1,094,685	**2,598,884**
TOTAL LIABILITIES	1,293,972	430,039	2,695,509	1,858,843	6,278,364	(2,893,113)	**3,385,250**
DEPRECIATION AND AMORTIZATION	36,399	50,780	21,409	4,631	113,218	13,326	**126,544**

	Before Eliminations							
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
Restated, 0630/2017								
REVENUE	1,270,468	3,276,295	471,409	401,689	2,070,236	7,490,097	(572,956)	**6,917,141**
NET INCOME	91,418	253,150	83,747	252,664	1,924,717	2,605,696	(535,329)	**2,070,367**
TOTAL ASSETS	1,132,501	3,614,328	1,563,014	12,216,510	19,032,606	37,558,959	(15,100,210)	**22,458,749**
INVESTMENTS PORTFOLIO *	-	12,057	92,132	11,893,891	18,062,047	30,060,128	(17,375,387)	**12,684,741**
PROPERTY & EQUIPMENT	4,693	637,001	781,637	106,281	23,161	1,552,773	1,121,336	**2,674,108**
TOTAL LIABILITIES	517,778	1,231,826	466,249	3,939,055	1,762,446	7,917,354	(3,931,986)	**3,985,368**
DEPRECIATION AND AMORTIZATION	934	36,427	50,425	20,226	4,183	112,196	13,326	**125,522**

****** Inclusive of FVPL investments, FVOCI investments, advances & investments and investment properties.***

******* Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA. This investment was sold on October 19, 2017.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at FVPL) and FVOCI investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Thousand Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not applicable to the Group since it has no share-based payment transactions.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Effective January 1, 2018, the Group adopted PFRS 9. The adoption covers the following changes in accounting policies in 2018:

(a) *Classification and measurement*

Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement.

Quoted and unquoted equity shares previously held as AFS are now measured at fair value through profit or loss, causing an increase volatility in profit or loss.

(b) *Impairment*

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality.

The Group applied PFRS 9 retrospectively resulting to prior period restatements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and supersedes all current revenue recognition requirements under PFRSs.

  The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is material for the Group.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Alternatively, an entity, may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2017
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Entities shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at June 30, 2018 and December 31, 2017:

		Percentage of Ownership	
	Nature of Business	**2018**	2017
A. Soriano Air Corporation	Services/Rental	**100**	100
Pamalican Island Holdings, Inc.	Holding	**62**	62
Island Aviation, Inc.	Air Transport	**62**	62
Anscor Consolidated Corporation	Holding	**100**	100
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	**100**	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100
Lakeroad Corp.	Real Estate Holding	**100**	100
Mainroad Corp.	Real Estate Holding	**100**	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100

	Nature of Business	Percentage of Ownership 2018	2017
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100
Mountainridge Corp.	Real Estate Holding	**100**	100
Rollingview Corp.	Real Estate Holding	**100**	100
Timbercrest Corp.	Real Estate Holding	**100**	100
Anscor International, Inc.	Holding	**100**	100
IQ Healthcare Investments Limited	Manpower Services	**100**	100
Phelps Dodge International Philippines, Inc.	Holding	**100**	100
Minuet Realty Corporation	Landholding	**100**	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	**100**	100
PD Energy International Corporation	Wire Manufacturing	**100**	100
Sutton Place Holdings, Inc.	Holding	**100**	100
Cirrus Global, Inc.	Manpower Services	**93**	93
IQ Healthcare Professional Connection, LLC	Manpower Services	**93**	93
AFC Agribusiness Corporation	Real Estate Holding	**81**	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	**62**	62
Pamalican Resort, Inc.	Resort Operations	**62**	62
Summerside Corp.	Investment Holdings	**40**	40

Except for AI and IQHPC, the above companies are all based in the Philippines. The principal business location of AI is in the British Virgin Islands (BVI), while IQHPC is based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

Current Versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.
Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2018**	2017
Associates			
Prople Limited	Business Process Outsourcing	**32**	32
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32
AGP International Holdings Ltd. (AGPI) *	Holding	**27**	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	**21**	21
ATRAM Investment Management Partners Corp. (AIMP)	Asset Management	**20**	20

** Its associate is engaged in modular steel fabrication.*

In 2016, AI converted its notes receivable from Prople Limited and BM equity. The conversion and additional investment increased the Company's shareholdings, making Prople Limited and BM associates of the Group.

In 2017, Anscor purchased additional shares in AIMP which resulted to an increase in ownership allowing the Group to exercise significant influence over the investee.

The principal business location of AIMP and VHI is the Philippines. AGPI, BM and Prople Limited are based in BVI, United States of America and Hongkong, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Disposal Group and Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVOCI equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVOCI financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. From January 1, 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortized cost, FVOCI investments or FVPL investments.

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of June 30, 2018 and December 31, 2017, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of June 30, 2018 and December 31, 2017.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in “Gain (loss) on increase (decrease) in market values of FVPL investments”. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of June 30, 2018 and December 31, 2017, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of June 30, 2018 and December 31, 2017.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to employees and other receivables.

(c) Debt instruments at FVOCI

The Group applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments comprise assets that had previously been classified as financial investments available-for-sale under PAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of June 30, 2018 and December 31, 2017, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of June 30, 2018 and December 31, 2017, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income.

FVOCI investments

In the case of debt instruments classified as FVOCI investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of “Interest income” in the consolidated statement of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Sale of real estate

Revenue of villa lots is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. and UAE hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. and UAE hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

<u>Costs and Expenses</u>
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.
Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".
Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing

for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

<u>Property Development in Progress</u>

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

<u>Investment Properties</u>

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets
At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer's Deposit for Property Development

Customers' deposit for property development, which pertain to advance payment by a villa buyer that is required to start and complete the villa development, is recognized at the fair value of the deposit received. Upon completion of the sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>
The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of June 30, 2018 and December 31, 2017.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency
The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Operating lease commitments - the Group as Lessee
The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Assessment of control over the entities for consolidation
The Group has wholly owned, majority and minority-owned subsidiaries. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables
The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on

assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of FVOCI debt investments
For FVOCI debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment.

Estimation of allowance for inventory and impairment losses
The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Investments carried under the equity method
Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of non-financial assets
(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended June 30, 2018.

(b) Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,

b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, Corporate Development Officer and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

   Cash flow interest rate risk

   Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

   Fair value interest rate risk

   Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

   Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

e. Copper price risk
The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market.

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital Management

The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objective through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the period ended June 30, 2018.

6. Financial Instruments

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

(In thousand pesos)	**June 30, 2018**		**Restated December 31, 2017**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Quoted equity shares	**₱5,943,132**	**₱5,943,132**	₱7,003,083	₱7,003,083
Bonds and convertible note	**597,263**	**597,263**	833,776	833,776
Funds and equities	**556,881**	**556,881**	491,140	491,140
Proprietary shares	**200,320**	**200,320**	194,320	194,320
Unquoted equity shares	**1,286,436**	**1,286,436**	1,209,744	1,209,744
	8,584,032	**8,584,032**	9,732,063	9,732,063
FVOCI investments:				
Bonds and convertible note	**867,674**	**867,674**	684,500	684,500
	867,674	**867,674**	684,500	684,500
	₱9,451,706	**₱9,451,706**	₱10,416,563	₱10,416,563

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities, quoted equity shares, proprietary shares and others are derived from quoted market prices in active markets.
- FVPL investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- FVOCI investments in bonds is derived from quoted market prices in active markets.

The following table provides the Group's fair value measurement hierarchy of its assets:

As of June 30, 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	**₱5,943,132**	**₱5,943,132**	**₱–**	**₱–**
Bonds and convertible note	**597,263**	**597,263**	**–**	**–**
Funds and equities	**556,881**	**556,881**	**–**	**–**
Proprietary shares	**200,320**	**200,320**	**–**	**–**
Unquoted equity shares	**1,286,436**	**–**	**–**	**1,286,436**
	8,584,032	**7,297,596**	**–**	**1,286,436**
FVOCI investments:				
Bonds and convertible note	**867,674**	**867,674**	**–**	**–**
	867,674	**867,674**	**–**	**–**
	₱9,451,706	**₱8,165,527**	**₱–**	**₱1,286,436**

Restated, as of December 31, 2017:

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱7,003,083	₱7,003,083	₱–	₱–
Bonds and convertible note	833,776	833,776	–	–
Funds and equities	491,140	491,140	–	–
Proprietary shares	194,320	194,320	–	–
Unquoted shares	1,209,744	–	–	1,209,744
	9,732,063	8,522,319	–	1,209,744
FVOCI investments:				–
Bonds and convertible note	684,500	684,500	–	–
	684,500	684,500	–	–
	₱10,416,563	₱9,206,819	₱–	₱1,209,744

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Dividend payout is 110.0 million with 3% annual increase	0% to 5%	0% fair value of ₱607 5% fair value of ₱926
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱861 30% fair value of ₱670
		Cost of equity of 14.50%	13% to 15%	13%: fair value of ₱880 15% fair value of ₱733

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of FVPL assets in unquoted equity shares (in millions):

	KSA
As at 1 January 2016	₱516
Purchases	237
As at 31 December 2016	753
Purchases 2017 and 2018	–
As at 30 June 2018	**₱753**

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments,* which resulted to restatement of December 31, 2017 balances.

There was no other significant change in the Company's Consolidated Balance Sheet as of June 30, 2018 versus December 31, 2017 except for the decrease in market value of FVPL investments from P9.7 billion to P8.6 billion due to the slow down in the Philippine stock market in 2018.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P1.1 billion partially offset by cash generated from operating activities.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the P1.1 billion decline in market value of local traded shares and foreign denominated investment in bonds, stocks and funds. Net disposal for the period amounted to P92.4 million and unrealized foreign exchange gain related to foreign denominated investments amounts to P80.0 million.

Receivables

The increase in receivables was mainly due to improved revenues of the wire manufacturing business.

Inventories

The increase was due to higher level of finished goods and raw materials inventories of the wire manufacturing subsidiary and higher to spare parts and supplies of the aviation subsidiary.

Investments and Advances

The increase in investments and advances were due additional investment made by the parent company amounting to P102.9 million and the unrealized foreign exchange gain related to foreign equity investment of P125.7 million.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P126.5 million while net additions to property and equipment amounted to P58.4 million, mainly attributable to capital expenditures of the manufacturing, aviation and resort subsidiaries.

Notes Payable

The wire manufacturing subsidiary obtained a short term loan for its working capital requirements.

Accounts Payable and Accrued Expenses

The decrease was mainly attributable to the payment of liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Income Tax Payable

Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for six months of 2018, partially offset by income taxes paid during the period by the Group.

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to P317.3 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company and a subsidiary when translated to the exchange rate as of June 30, 2018.

Deferred Income Tax Liabilities

Minimal increase in the account was mainly due to the deferred tax effect on accrued management fees and unrealized foreign exchange gain offset by deferred tax benefit on the decrease in value of FVOCI & FVPL investments.

Other noncurrent liabilities

Decrease in the account balance was mainly due to the use of deposit from villa owners for back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)

This account includes translation adjustments of Anscor International, Inc., and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by P173.0 million.

Unrealized valuation gains on FVOCI investments (equity portion)

Decrease in the account is attributable to the decline in market values of FVOCI investments - bonds, from January 1 to June 30, 2018.

Others
There were no commitments for major capital expenditures in 2018.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments,* which resulted to restatement of June 30, 2017 and June 30, 2017 balances.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended June 30	
	2018	*Restated 2017*
Revenues (excluding investment gains or losses)	***379,198***	*516,273*
Investment Gains (Losses)	***(1,143,927)***	*1,553,963*
Net Income (Loss)	***(789,766)***	*1,924,717*
Earnings (Loss) Per Share	***(0.32)***	*0.77*
Market Price Per Share (PSE)	***6.00***	*6.30*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
This year's consolidated gross revenues of P3.9 billion was significantly lower than last year's revenue of P6.9 billion as 2018 figure had no revenues from the staffing business in the USA which was sold in October 2017. In addition, the gain increase in market value of FVPL investments last year was P1.5 billion vs a loss of P1.1 billion in 2018. These were offset by the increase in sales revenue of PDP Energy, which was higher by P730.2 million or 22.3%. Also, resort operations reported improved revenues.

Cost of Goods Sold
Increase in cost of goods sold was mainly attributable to higher cost of goods of the wire manufacturing subsidiary due to their increased revenues.

Services Rendered
Cost of service rendered of CMSI was no longer consolidated which primarily explained decrease in the cost of services for 2018.

Operating Expenses
Operating expenses in the first half of 2017 included the expenses of CMSI, which effectively lowered the Group operating expenses for six months of 2018 since CMSI was no longer consolidated when it was sold on October 19, 2017.

Foreign Exchange Gain
Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its foreign currency denominated investments in financial assets offset by foreign exchange loss on its dollar denominated loan.

Interest Expense
Amount in 2018 was slightly lower than 2017 due to payment of long-term loan by the parent company and PDP.

Provision for Income Tax - net
The current provision for income tax of the Group slightly increased due higher income tax of PDP and the resort for the period ended June 30, 2018.

Noncontrolling Interests (statements of income)
Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for six months of 2018.

9. Cash Flows
Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.

- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,282,826,746 shares of Anscor.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended June 30	
	2018	*2017*
Volume sold (MT)	**7,913**	*7,426*
Revenue	**4,006,528**	*3,276,295*
Net Income	***351,159***	*253,150*

Volume sold was higher than last year, the PDP Energy's revenue increased by 22.3% in 2018 as against 2017's revenues.

PDP recorded a net income of P351.2 million for six months of 2018, higher than the P253.2 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 62.0% for the first half of 2018, slightly higher than the 2017 average occupancy rate of 61.8%. Average room rate was P66,800, higher from last year's average room rate of P55,787. Total hotel revenues amounted to P595.7 million, an improvement from last year's revenues of P471.4 million partially helped by the appreciation of the Philippine peso vis-à-vis US$. Gross operating profit (GOP) of P306.2 million increased by P96.8 million versus 2017's GOP.

Seven Seas reported a consolidated net income of P152.2 million for six months of 2018, higher by 81.8% from last year's net income of P83.7 million.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	06/30/2018	Restated 06/30/2017
1. Book Value Per Share (Note 1)	**14.52**	14.79
2. Current Ratio (Note 2)	**7.24**	8.36
3. Debt to Equity Ratio (Note 3)	**0.19**	0.22
4. Asset to Equity Ratio (Note 4)	**1.22**	1.25
5. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**(9.8%)**	29.3%
6. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**(2.2%)**	11.3%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 4 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	06/30/2018	06/30/2017
1. Volume	**7,913**	7,426
2. Revenue	**4,006,528**	3,276,295
3. Net income	**351,159**	253,150

Seven Seas Group

In Thousand Pesos

	06/30/2018	06/30/2017
1. Occupancy rate	**62.0%**	61.8%
2. Hotel revenue	**595,676**	471,409
3. Gross operating profit (GOP)	**306,220**	209,425
4. GOP ratio	**51.4%**	44.4%
5. Net income	**152,168**	83,747

Occupancy rate is based on actual room nights sold over available room nights on a 6-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

P W 2

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,316	**Third Wednesday of April**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2018

2. Commission identification number: PW-2   3. BIR Tax Identification No. 000-103-216

   A. SORIANO CORPORATION
4. Exact name of issuer as specified in its charter

   Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

   7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. Address of issuer's principal office   Postal Code

   8190251
8. Issuer's telephone number, including area code

   N/A
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
VP- Asst. Corporate Secretary

Date: November 14, 2018

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: November 14, 2018

SEC Form17-Q
November 14, 2018

SEC FORM 17 – Q
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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

		Restated (Note 1)	
	September 30 2018	December 31 2017	January 1 2017
ASSETS			
Current Assets			
Cash and cash equivalents	**2,368,929**	3,255,535	2,403,740
Fair value through profit and loss (FVPL) investments	**9,309,348**	9,732,063	8,283,081
Receivables	**2,242,772**	1,783,449	2,167,502
Inventories	**1,061,510**	817,360	683,917
Property development in progress	**3,177**	3,177	3,177
Fair value through other comprehensive income (FVOCI) investments - current	**32,113**	30,165	47,729
Prepayments	**45,386**	18,036	18,677
Other current assets	**47,578**	50,189	151,401
Total Current Assets	**15,110,814**	15,689,974	13,759,222
Noncurrent Assets			
FVOCI investments - net of current portion	**814,856**	654,335	800,097
Investments and advances	**1,775,719**	1,651,840	1,943,574
Goodwill	**1,302,276**	1,302,276	1,889,496
Property and equipment	**2,578,492**	2,668,189	2,648,731
Investment properties	**236,957**	236,522	234,878
Retirement plan asset	**93,707**	93,707	60,191
Deferred tax assets	**60,617**	61,082	62,305
Other noncurrent assets	**175,377**	168,306	129,007
Total Noncurrent Assets	**7,037,999**	6,836,256	7,768,278
TOTAL ASSETS	**21,148,812**	22,526,231	21,527,501
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	**-**	-	91,948
Accounts payable and accrued expenses	**791,735**	908,931	969,799
Dividends payable	**290,607**	252,554	242,208
Income tax payable	**104,824**	65,633	141,745
Current portion of long-term debt	**651,032**	611,284	629,350
Total Current Liabilities	**1,838,198**	1,838,403	2,075,050

(Forward)

Note 1: PFRS 9 retroactively applied.

	September 30 2018	Restated (Note 1) December 31 2017	Restated (Note 1) January 1 2017
Noncurrent Liabilities			
Long-term debt - net of current portion	**669,066**	1,107,440	1,916,231
Deferred income tax liabilities - net	**429,549**	420,514	600,160
Retirement benefits payable	**3,998**	9,184	4,212
Other noncurrent liabilities	**131,141**	179,519	184,348
Total Noncurrent Liabilities	**1,233,754**	1,716,658	2,704,951
Total Liabilities	**3,071,952**	3,555,061	4,780,001
Equity Attributable to Equity Holdings of the Parent			
Capital stock - 1 par value	**2,500,000**	2,500,000	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614	1,605,614
Cumulative translation adjustment	**519,208**	295,801	380,244
Equity reserve on acquisition of noncontrolling interest	**(18,300)**	(26,357)	(26,357)
Unrealized valuation gain (loss) on FVOCI investments	**(8,824)**	14,158	11,741
Remeasurement on retirement benefits	**55,047**	57,995	37,609
Retained Earnings			
Appropriated	**7,150,000**	7,150,000	7,150,000
Unappropriated	**9,145,521**	9,239,630	6,802,093
Cost of shares held by a subsidiary (1,285,901,246 shares in 2018, 1,282,826,746 shares on December 31, 2017 and 1,267,406,746 shares on January 1, 2017)	**(2,342,832)**	(2,324,315)	(2,226,273)
	18,605,433	18,512,525	16,234,671
Noncontrolling interests	**471,427**	458,645	512,829
Total Equity	**19,076,861**	18,971,170	16,747,500
TOTAL LIABILITIES AND EQUITY	**22,148,812**	22,526,231	21,527,501

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
REVENUES				
Sale of goods - net	**5,985,198**	5,168,803	**1,978,669**	1,892,508
Services	**943,879**	2,603,165	**211,579**	734,727
Interest income	**78,378**	70,686	**24,898**	25,307
Dividend income	**231,694**	251,496	**12,073**	78,429
Equity in net earnings of associates	**(127,414)**	-	**(130,967)**	-
	7,111,734	8,094,150	**2,096,251**	2,730,972
INVESTMENT GAINS				
Gain on sale of long-term investment	**25,573**	-	**25,573**	-
Gain on sale of FVOCI investments	**847**	13,587	**1,009**	2,909
Gain (loss) on increase (decrease) in market values of FVPL investments	**(258,089)**	1,259,350	**877,570**	(283,935)
	(231,669)	1,272,937	**904,153**	(281,026)
	6,880,065	9,367,087	**3,000,404**	2,449,946
Cost of goods sold	**(4,998,646)**	(4,370,761)	**(1,660,770)**	(1,630,786)
Services rendered	**(348,178)**	(1,590,149)	**(112,495)**	(448,497)
Operating expenses	**(837,678)**	(1,065,174)	**(259,725)**	(303,666)
Valuation allowances - net	**(18,938)**	(754)	**(18,738)**	(183)
Interest expense	**(57,414)**	(71,019)	**(17,756)**	(24,771)
Foreign exchange gain	**168,800**	21,007	**30,134**	9,974
Other income (charges) - net	**46,922**	(97,709)	**(1,743)**	(121,119)
	(6,045,132)	(7,174,559)	**(2,041,093)**	(2,519,049)
INCOME (LOSS) BEFORE INCOME TAX	**834,933**	2,192,528	**959,311**	(69,102)
PROVISION FOR INCOME TAX - NET	**257,764**	198,827	**65,207**	7,564
NET INCOME (LOSS)	**577,168**	1,993,701	**894,104**	(76,666)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation Gain (loss) on FVOCI investments	**(31,985)**	24,030	**(963)**	7,952
Realized gains on sale of FVOCI investments, net of impairment losses	**(847)**	(13,587)	**(1,009)**	(2,909)
Unrealized gain on remeasurement of retirement benefits	**(4,211)**	-	**1,105**	6,121
Cumulative translation adjustment	**223,407**	77,525	**50,354**	41,505
Income tax effect	**11,113**	(2,461)	**260**	(866)
OTHER COMPREHENSIVE INCOME	**197,477**	85,507	**49,747**	51,802
TOTAL COMPREHENSIVE INCOME (LOSS)	**774,646**	2,079,207	**943,851**	(24,864)

Note 1: Included account balances of Cirrus Medical Staffing, Inc. which was sold on October 19, 2017. PFRS 9 retroactively applied

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
Net Income (Loss) Attributable to:				
Equity holders of the parent	**514,478**	1,962,177	**894,535**	(65,681)
Minority interest	**62,691**	31,523	**(432)**	(10,985)
	577,168	1,993,701	**894,104**	(76,666)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the parent	**711,955**	2,047,684	**944,282**	(13,879)
Minority interest	**62,691**	31,523	**(432)**	(10,985)
	774,646	2,079,207	**943,851**	(24,864)
Earnings Per Share * Basic/Diluted, for net income (loss) attributable to equity holders of the Parent	**0.42**	1.61	**0.74**	(0.05)
Earnings Per Share * Basic/Diluted, for total comprehensive income (loss) attributable to equity holders of the Parent	**0.59**	1.68	**0.78**	(0.01)

Note 1: Included account balances of Cirrus Medical Staffing, Inc. which was sold on October 19, 2017. PFRS 9 retroactively applied.

* Based on number of shares outstanding of 1,214,098,754 and 1,217,475,754 in September 30, 2018 and 2017, respectively.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	RESTATED (Note 1)										
	Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on FVOCI Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	1,899,777	37,609	380,244	7,150,000	4,914,057	(2,226,273)	512,829	16,747,500
Restatement of Beg. Bal., PFRS 9	-	-	-	(1,888,036)	-	-	-	1,888,036	-	-	-
Restated, Balance at 12/31/2016	2,500,000	1,605,614	(26,357)	11,741	37,609	380,244	7,150,000	6,802,093	(2,226,273)	512,829	16,747,500
Comprehensive income	-	-	-	7,982	-	77,525	-	1,962,177	-	31,523	2,079,207
Cash dividends - net	-	-	-	-	-	-	-	(244,361)	-	-	(244,361)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(95,918)	-	(95,918)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(37,898)	(37,898)
Restated, Balance at 09/30/2017	2,500,000	1,605,614	(26,357)	19,723	37,609	457,769	7,150,000	8,519,909	(2,322,191)	506,454	18,448,530
Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	3,003,272	57,995	295,801	7,150,000	6,250,516	(2,324,315)	458,645	18,971,170
Restatement of Beg. Bal., PFRS 9	-	-	-	(2,989,114)	-	-	-	2,989,114	-	-	-
Restated, Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	14,158	57,995	295,801	7,150,000	9,239,630	(2,324,315)	458,645	18,971,170
Comprehensive income	-	-	-	(22,982)	(2,948)	223,407	-	514,478	-	62,691	774,646
Cash dividends - net	-	-	-	-	-	-	-	(608,587)	-	-	(608,587)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(18,517)	-	(18,517)
Movement in noncontrolling interest	-	-	8,057	-	-	-	-	-	-	(49,909)	(41,852)
Restated, Balance at 09/30/2018	**2,500,000**	**1,605,614**	**(18,300)**	**(8,824)**	**55,047**	**519,208**	**7,150,000**	**9,145,521**	**(2,342,832)**	**471,427**	**19,076,861**

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
		Restated (Note 1)		Restated (Note 1)
	2018	2017	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**834,933**	2,192,528	**959,311**	(69,102)
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	**258,089**	(1,259,350)	**(877,570)**	283,935
Depreciation and amortization	**188,283**	188,919	**61,740**	63,397
Interest expense	**57,414**	71,019	**17,756**	24,771
Valuation allowances - net	**18,938**	754	**18,738**	183
Dividend income	**(231,694)**	(251,496)	**(12,073)**	(78,429)
Foreign exchange gain - net	**(96,568)**	(16,318)	**(5,285)**	(409)
Interest income	**(78,378)**	(70,686)	**(24,898)**	(25,307)
Gain from sale of long-term investments	**(25,573)**	-	**(25,573)**	-
Equity in net earnings of associates	**127,414**	-	**130,967**	-
Gain on sale of FVOCI investments	**(847)**	(13,587)	**(1,009)**	(2,909)
Gain on sale of property and equipment	**(449)**	(17,352)	**(346)**	-
Write-off of goodwill	**-**	103,137	**-**	103,137
Operating income before working capital changes	**1,051,563**	927,568	**241,758**	299,266
Decrease (increase) in:				
FVPL investments	244,622	357,117	**152,254**	(1,147)
Receivables	(460,002)	(169,077)	**(258,743)**	(390,356)
Inventories	(244,150)	(344,752)	**(1,054)**	(60,123)
Increase (decrease) in:				
Accounts payable and accrued expenses	**(117,196)**	73,981	**(2,050)**	279,151
Retirement benefits payable	**(8,134)**	(1,902)	**(1,766)**	5,363
Net cash generated from operations	**466,704**	842,935	**130,398**	132,154
Dividend received	**231,694**	251,496	**12,073**	78,429
Interest received	**78,087**	71,891	**24,782**	25,817
Interest paid	**(57,414)**	(71,019)	**(17,756)**	(24,771)
Income taxes paid	**(199,671)**	(255,017)	**(60,351)**	(3,661)
Net cash flows from operating activities	**519,400**	840,286	**89,147**	207,969

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	**76,049**	495,582	**42,103**	172,531
Long-term investments	**3,262**	-	**3,262**	-
Property and equipment	**3,480**	19,451	**2,212**	201
Addition to:				
FVOCI investments	**(210,165)**	(557,433)	**(11,024)**	(118,796)
Long-term investments	**(102,946)**	-	**-**	-
Investment properties	**(435)**	(1,569)	**-**	(140)
Property and equipment	**(101,617)**	(193,163)	**(43,214)**	(40,366)
Decrease (increase) in:				
Prepayments and other assets	(31,810)	(117,747)	**(33,227)**	(58,629)
Other noncurrent liabilities	**(48,379)**	16,853	**(9,277)**	(5,168)
Advances to affiliates	2,828	(757)	**1,837**	(5,681)
Net cash flows used in investing activities	**(409,733)**	(338,782)	**(47,328)**	(56,048)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from long-term debt	**(479,955)**	(683,627)	**(162,639)**	(154,945)
Payment of:				
Notes payable	**-**	(91,948)	**(200,000)**	(45,155)
Dividends	(570,534)	(247,567)	**-**	(2,912)
Company shares purchased by a subsidiary	(18,517)	(95,918)	**(18,517)**	(1)
Increase (decrease) in:				
Deferred revenue	**-**	(226)	**9,242**	(355)
Minority interest	**(37,801)**	(37,898)	**1,389**	14
Net cash flows used in financing activities	**(1,106,806)**	(1,157,185)	**(370,525)**	(203,353)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**110,533**	13,326	**31,008**	10,538
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(886,606)**	(642,355)	**(297,699)**	(40,894)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,255,535**	2,403,740	**2,666,628**	1,802,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,368,929**	1,761,385	**2,368,929**	1,761,385

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

		Restated (Note 1)	
	September 30 2018	December 31 2017	January 1 2017
ASSETS			
Cash and Cash Equivalents	**1,223,856**	1,696,679	836,979
Fair Value through Profit and Loss (FVPL) Investments	**7,901,672**	9,215,965	7,959,322
Fair value through other comprehensive income (FVOCI) investments	**846,969**	684,500	847,825
Receivables - net	**415,727**	152,725	160,642
Investments and Advances- net	**7,244,939**	7,069,111	7,872,221
Property and Equipment - net	**18,216**	21,152	23,922
Retirement Plan Asset	**87,464**	87,464	51,022
Other Assets	**1,514**	921	844
TOTAL ASSETS	**17,740,357**	18,928,517	17,752,778
LIABILITIES AND EQUITY			
Liabilities			
Accounts Payable and Accrued Expenses	**35,357**	40,467	42,063
Dividends Payable	**290,607**	252,554	241,914
Long-term Debt	**732,389**	1,011,083	1,566,180
Deferred Income Tax Liabilities - net	**95,682**	80,632	60,130
Total Liabilities	**1,154,035**	1,384,736	1,910,288
Equity			
Capital Stock - 1 Par Value	**2,500,000**	2,500,000	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800	1,589,800
Unrealized valuation gain (loss) on FVOCI investments	**(8,824)**	14,158	11,741
Remeasurement on Retirement Benefits	**53,817**	53,817	28,451
Retained Earnings			
Appropriated	**7,150,000**	7,150,000	7,150,000
Unappropriated	**5,301,529**	6,236,007	4,562,499
Total Equity	**16,586,321**	17,543,781	15,842,490
TOTAL LIABILITIES AND EQUITY	**17,740,357**	18,928,517	17,752,778

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
REVENUES				
Dividend income	**1,186,343**	520,312	**262,073**	78,286
Interest income	**74,648**	64,291	**22,722**	21,419
Management fees	**60,936**	50,549	**17,934**	19,175
	1,321,927	635,153	**302,728**	118,880
INVESTMENT GAINS				
Gains (loss) on increase (decrease) in market values of FVPL investments	**(964,541)**	1,259,350	**179,223**	(283,935)
Gain on sale of FVOCI investments	**847**	13,587	**1,009**	2,909
	(963,695)	1,272,937	**180,233**	(281,026)
	358,232	1,908,089	**482,961**	(162,146)
Operating expenses	**(182,501)**	(166,831)	**(47,713)**	(29,046)
Foreign exchange gain	**160,446**	19,041	**27,739**	9,518
Interest expense	**(31,610)**	(35,832)	**(10,061)**	(11,878)
Others - net	**37,655**	17,923	**20,602**	359
	(16,011)	(165,700)	**(9,434)**	(31,047)
INCOME (LOSS) BEFORE INCOME TAX	**342,221**	1,742,389	**473,527**	(193,193)
PROVISION FOR (BENEFIT FROM) INCOME TAX - NET	**26,699**	8,336	**8,239**	(2,531)
NET INCOME (LOSS)	**315,522**	1,734,054	**465,288**	(190,663)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on FVOCI investments	**(31,985)**	23,262	**(963)**	8,366
Realized gains on Sale of FVOCI investments	**(847)**	(13,587)	**(1,009)**	(2,909)
Income Tax Effect	**9,849**	(2,461)	**592**	(1,196)
OTHER COMPREHENSIVE INCOME (LOSS)	**(22,982)**	7,214	**(1,381)**	4,262
TOTAL COMPREHENSIVE INCOME (LOSS)	**292,540**	1,741,268	**463,908**	(186,401)
Earnings Per Share:				
Net income (loss)	**0.13**	0.69	**0.19**	(0.08)
Total comprehensive income (loss)	**0.12**	0.70	**0.19**	(0.07)

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	RESTATED (Note 1)						
	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on FVOCI Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2016	2,500,000	1,589,800	1,861,617	28,451	7,150,000	2,712,623	15,842,490
Restatement of Beg. Bal., PFRS 9	-	-	(1,849,877)	-	-	1,849,877	-
Restated, Balance at 12/31/2016	2,500,000	1,589,800	11,741	28,451	7,150,000	4,562,499	15,842,490
Comprehensive income	-	-	7,214	-	-	1,734,054	1,741,268
Cash dividends	-	-	-	-	-	(500,000)	(500,000)
Restated, Balance at 09/30/2017	2,500,000	1,589,800	18,955	28,451	7,150,000	5,796,553	17,083,758
Balance at 12/31/2017	2,500,000	1,589,800	2,964,562	53,817	7,150,000	3,285,603	17,543,782
Restatement of Beg. Bal., PFRS 9	-	-	(2,950,404)	-	-	2,950,404	-
Restated, Balance at 12/31/2017	2,500,000	1,589,800	14,158	53,817	7,150,000	6,236,007	17,543,781
Comprehensive income	-	-	(22,982)	-	-	315,522	292,540
Cash dividends	-	-	-	-	-	(1,250,000)	(1,250,000)
Restated, Balance at 09/30/2018	**2,500,000**	**1,589,800**	**(8,824)**	**53,817**	**7,150,000**	**5,301,529**	**16,586,321**

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	**342,221**	1,742,389	**473,527**	(193,193)
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	**964,541**	(1,259,350)	**(179,223)**	283,935
Interest expense	**31,610**	35,832	**10,061**	11,878
Depreciation and amortization	**7,049**	6,578	**2,418**	2,395
Dividend income	**(1,186,343)**	(520,312)	**(262,073)**	(78,286)
Unrealized foreign exchange gain	**(160,446)**	(19,041)	**(27,739)**	(9,518)
Interest income	**(74,648)**	(64,291)	**(22,722)**	(21,419)
Gain on sale of FVOCI investments	**(847)**	(13,587)	**(1,009)**	(2,909)
Gain on sale of property and equipment	**(41)**	(17,352)	**-**	-
Operating loss before working capital changes	**(76,902)**	(109,133)	**(6,760)**	(7,117)
Increase in receivables	**(263,002)**	(53,310)	**(235,997)**	(88,069)
Decrease in FVPL investments	**429,747**	357,117	**283,475**	(1,147)
Increase (decrease) in accounts payable and accrued expenses	**(5,109)**	151,691	**2,093**	(6,460)
Net cash generated from (used in) operations	**84,735**	346,364	**42,811**	(102,793)
Dividend received	**421,343**	520,312	**137,073**	78,286
Interest received	**74,357**	65,497	**22,607**	21,929
Interest paid	**(31,610)**	(35,832)	**(10,061)**	(11,878)
Income tax paid	**(1,800)**	(1,415)	**(605)**	(485)
Net cash flows from (used in) operating activities	**547,025**	894,926	**191,824**	(14,941)

(Forward)

Note 1: PFRS 9 retroactively applied.

	Periods Ended September 30		Quarters Ended September 30	
	2018	Restated (Note 1) 2017	**2018**	Restated (Note 1) 2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	**76,049**	495,582	**42,103**	172,531
Property and equipment	**1,205**	17,616	**-**	264
Redemption of preferred shares	**10,000**	-	**-**	-
Additions to:				
FVOCI investments	**(210,165)**	(365,506)	**(11,024)**	(56,025)
Long-term investments	**(102,946)**	-	**-**	-
Property and equipment	**(5,278)**	(5,863)	**(1,603)**	(2,441)
Increase in:				
Advances to affiliates	**40,705**	(100,990)	**(139,713)**	66,718
Other assets	**(593)**	71	**(145)**	240
Net cash flows from (used in) investing activities	**(191,022)**	40,910	**(110,382)**	181,287
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	**(360,023)**	(452,858)	**(122,231)**	(114,638)
Cash dividends	**(570,534)**	(502,912)	**-**	(2,912)
Net cash flows used in financing activities	**(930,556)**	(955,769)	**(122,231)**	(117,549)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**101,731**	11,312	**28,166**	10,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(472,823)**	(8,621)	**(12,624)**	58,879
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,696,679**	836,979	**1,236,480**	769,479
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,223,856**	828,358	**1,223,856**	828,358

Note 1: PFRS 9 retroactively applied.

A. SORIANO CORPORATION AND SUBSIDIARIES

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						
			Other				After
	Wire	Resort	Operations	Holding Co			Eliminations
	Manufacturing	Operation	(Note 1)	(Parent)	Total	**Eliminations**	**Consolidated**
09/30/2018							
REVENUE	5,985,198	776,658	1,561,581	358,232	8,681,669	(1,801,604)	**6,880,065**
TOTAL COMPREHENSIVE INCOME (LOSS)	497,334	153,234	1,351,814	292,540	2,294,921	(1,520,276)	**774,646**
TOTAL ASSETS	4,083,511	1,549,717	12,781,160	17,740,357	36,154,744	(14,005,932)	**22,148,812**
INVESTMENTS PORTFOLIO *	15,367	90,453	12,409,771	15,993,580	28,509,171	(16,340,178)	**12,168,992**
PROPERTY & EQUIPMENT	613,752	778,375	80,126	18,216	1,490,470	1,088,022	**2,578,492**
TOTAL LIABILITIES	1,161,814	493,183	3,262,904	1,154,035	6,071,937	(2,999,985)	**3,071,952**
DEPRECIATION AND AMORTIZATION	53,389	75,975	31,882	7,049	168,295	19,988	**188,283**

	Before Eliminations							
	US-based** Nurse Staffing Co.	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	Eliminations	After Eliminations Consolidated
Restated, 09/30/2017								
REVENUE	1,833,870	5,168,803	591,271	455,147	1,908,089	9,957,180	(590,093)	9,367,087
TOTAL COMPREHENSIVE INCOME (LOSS)	89,865	410,949	54,969	243,857	1,741,268	2,540,908	(461,701)	2,079,207
TOTAL ASSETS	1,079,246	3,918,648	1,548,438	13,172,714	18,735,122	38,454,169	(15,909,550)	22,544,619
INVESTMENTS PORTFOLIO *	-	12,057	101,640	12,847,147	17,618,073	30,578,918	(18,156,673)	12,422,245
PROPERTY & EQUIPMENT	5,424	634,208	766,333	107,295	22,943	1,536,203	1,114,673	2,650,876
TOTAL LIABILITIES	458,588	1,378,347	480,451	4,048,348	1,651,364	8,017,098	(3,919,061)	4,098,038
DEPRECIATION AND AMORTIZATION	2,015	55,271	74,967	30,100	6,578	168,930	19,988	188,919

***   Inclusive of FVPL investments, FVOCI investments, advances & investments and investment properties.***

*****   Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA. This investment was sold on October 19, 2017.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at FVPL) and FVOCI investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Thousand Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not applicable to the Group since it has no share-based payment transactions.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Effective January 1, 2018, the Group adopted PFRS 9. The adoption covers the following changes in accounting policies in 2018:

(a) *Classification and measurement*

Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement.

Quoted and unquoted equity shares previously held as AFS are now measured at fair value through profit or loss, causing an increase volatility in profit or loss.

(b) *Impairment*

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality.

The Group applied PFRS 9 retrospectively resulting to prior period restatements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and supersedes all current revenue recognition requirements under PFRSs.

  The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is material for the Group.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Alternatively, an entity, may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

New Accounting Standards, Interpretations and Amendments to
<u>Existing Standards Effective Subsequent to December 31, 2017</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Entities shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at September 30, 2018 and December 31, 2017:

		Percentage of Ownership	
	Nature of Business	**2018**	2017
A. Soriano Air Corporation	Services/Rental	**100**	100
Pamalican Island Holdings, Inc.	Holding	**62**	62
Island Aviation, Inc.	Air Transport	**62**	62
Anscor Consolidated Corporation	Holding	**100**	100
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	**100**	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100
Lakeroad Corp.	Real Estate Holding	**100**	100
Mainroad Corp.	Real Estate Holding	**100**	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100

		Percentage of Ownership	
	Nature of Business	**2018**	2017
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100
Mountainridge Corp.	Real Estate Holding	**100**	100
Rollingview Corp.	Real Estate Holding	**100**	100
Timbercrest Corp.	Real Estate Holding	**100**	100
Anscor International, Inc.	Holding	**100**	100
IQ Healthcare Investments Limited	Manpower Services	**100**	100
IQ Healthcare Professional Connection, LLC	Manpower Services	**100**	100
Phelps Dodge International Philippines, Inc.	Holding	**100**	100
Minuet Realty Corporation	Landholding	**100**	100
Phelps Dodge Philippines Energy Products Corporation	Wire Manufacturing	**100**	100
PD Energy International Corporation	Wire Manufacturing	**100**	100
Sutton Place Holdings, Inc.	Holding	**100**	100
Cirrus Global, Inc.	Manpower Services	**60**	93
AFC Agribusiness Corporation	Real Estate Holding	**81**	81
Seven Seas Resorts and Leisure, Inc.	Villa Project Development	**62**	62
Pamalican Resort, Inc.	Resort Operations	**62**	62
Summerside Corp.	Investment Holdings	**40**	40

Except for AI and IQHPC, the above companies are all based in the Philippines. The principal business location of AI is in the British Virgin Islands (BVI), while IQHPC is based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

Current Versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates
Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2018**	2017
Associates			
Prople Limited	Business Process Outsourcing	**32**	32
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32
AGP International Holdings Ltd. (AGPI) *	Holding	**27**	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	**21**	21
ATRAM Investment Management Partners Corp. (AIMP)	Asset Management	**20**	20

** Its associate is engaged in modular steel fabrication.*

In 2016, AI converted its notes receivable from Prople Limited and BM equity. The conversion and additional investment increased the Company's shareholdings, making Prople Limited and BM associates of the Group.

In 2017, Anscor purchased additional shares in AIMP which resulted to an increase in ownership allowing the Group to exercise significant influence over the investee.

The principal business location of AIMP and VHI is the Philippines. AGPI, BM and Prople Limited are based in BVI, United States of America and Hongkong, respectively.

<u>Business Combinations and Goodwill</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Disposal Group and Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVOCI equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVOCI financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. From January 1, 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortized cost, FVOCI investments or FVPL investments.

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of September 30, 2018 and December 31, 2017, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of September 30, 2018 and December 31, 2017.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in “Gain (loss) on increase (decrease) in market values of FVPL investments”. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of September 30, 2018 and December 31, 2017, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of September 30, 2018 and December 31, 2017.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to employees and other receivables.

(c) Debt instruments at FVOCI

The Group applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments comprise assets that had previously been classified as financial investments available-for-sale under PAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of September 30, 2018 and December 31, 2017, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of September 30, 2018 and December 31, 2017, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income.

FVOCI investments

In the case of debt instruments classified as FVOCI investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of “Interest income” in the consolidated statement of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Sale of real estate

Revenue of villa lots is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. and UAE hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. and UAE hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

<u>Costs and Expenses</u>
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and

employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

<u>Cash and Cash Equivalents</u>
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.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

<u>Property Development in Progress</u>
Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

<u>Investment Properties</u>
Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer's Deposit for Property Development

Customers' deposit for property development, which pertain to advance payment by a villa buyer that is required to start and complete the villa development, is recognized at the fair value of the deposit received. Upon completion of the sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of September 30, 2018 and December 31, 2017.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Operating lease commitments - the Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Assessment of control over the entities for consolidation
The Group has wholly owned, majority and minority-owned subsidiaries. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables
The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of FVOCI debt investments

For FVOCI debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment.

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment

The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Investments carried under the equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended September 30, 2018.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the “value-in-use” of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, Corporate Development Officer and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit quality per class of financial assets
For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Liquidity risk
Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

   Cash flow interest rate risk

   Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

   Fair value interest rate risk

   Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

   Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

   The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

c. Price risk of mutual funds

   The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

e. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market.

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital Management

The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objective through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the period ended September 30, 2018.

6. Financial Instruments

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

(In thousand pesos)	**September 30, 2018**		**Restated December 31, 2017**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Quoted equity shares	**₱6,668,180**	**₱6,668,180**	₱7,003,083	₱7,003,083
Bonds and convertible note	**580,097**	**580,097**	833,776	833,776
Funds and equities	**734,669**	**734,669**	491,140	491,140
Proprietary shares	**200,320**	**200,320**	194,320	194,320
Unquoted equity shares	**1,124,082**	**1,124,082**	1,209,744	1,209,744
	9,309,348	**9,309,348**	9,732,063	9,732,063
FVOCI investments:				
Bonds and convertible note	**846,969**	**846,969**	684,500	684,500
	846,969	**846,969**	684,500	684,500
	₱10,156,317	**₱10,156,317**	₱10,416,563	₱10,416,563

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities, quoted equity shares, proprietary shares and others are derived from quoted market prices in active markets.
- FVPL investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- FVOCI investments in bonds is derived from quoted market prices in active markets.

The following table provides the Group's fair value measurement hierarchy of its assets:

As of September 30, 2018:

		Fair value measurement using		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱6,668,180**	**₱6,668,180**	**₱–**	**₱–**
Bonds and convertible note	**580,097**	**580,097**	**–**	**–**
Funds and equities	**734,669**	**734,669**	**–**	**–**
Proprietary shares	**200,320**	**200,320**	**–**	**–**
Unquoted equity shares	**1,124,082**	**-**	**–**	**1,124,082**
	9,309,348	**8,185,266**	**–**	**1,124,082**
FVOCI investments:				
Bonds and convertible note	**846,969**	**846,969**	**–**	**–**
	846,969	**846,969**	**–**	**–**
	₱10,156,317	**₱9,032,235**	**₱–**	**₱1,124,082**

Restated, as of December 31, 2017:

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱7,003,083	₱7,003,083	₱–	₱–
Bonds and convertible note	833,776	833,776	–	–
Funds and equities	491,140	491,140	–	–
Proprietary shares	194,320	194,320	–	–
Unquoted shares	1,209,744	–	–	1,209,744
	9,732,063	8,522,319	–	1,209,744
FVOCI investments:				–
Bonds and convertible note	684,500	684,500	–	–
	684,500	684,500	–	–
	₱10,416,563	₱9,206,819	₱–	₱1,209,744

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Dividend payout is 110.0 million with 3% annual increase	0% to 5%	0% fair value of ₱607 5% fair value of ₱926
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱861 30% fair value of ₱670
		Cost of equity of 14.50%	13% to 15%	13%: fair value of ₱880 15% fair value of ₱733

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of FVPL assets in unquoted equity shares (in millions):

	KSA
As at 1 January 2016	₱516
Purchases	237
As at 31 December 2016	753
Purchases 2017 and 2018	–
As at 30 September 2018	**₱753**

For the periods ended September 30, 2018 and December 31, 2017, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments,* which resulted to restatement of December 31, 2017 balances.

There was no other significant change in the Company's Consolidated Balance Sheet as of September 30, 2018 versus December 31, 2017 except for the decrease in market value of FVPL investments from P9.7 billion to P8.6 billion due to the slow down in the Philippine stock market in 2018.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P1.5 billion partially offset by cash generated from operating activities.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the P955.4 billion decline in market value of local traded shares and foreign denominated investment in bonds, stocks and funds offset by the increase in market value of YmAbs investment which started to be traded in NASDAQ effective September 19, 2018. Net disposal for the period amounted to P259.1 million and unrealized foreign exchange gain related to foreign denominated investments amounts to P94.5 million.

Receivables

The increase in receivables was mainly due to improved revenues of the wire manufacturing business.

Inventories

The increase was due to higher level of finished goods and raw materials inventories of the wire manufacturing subsidiary and higher spare parts and supplies of the aviation subsidiary.

Prepayments and other current assets

Increase in this account can be attributed mainly to prepaid expenses related manufacturing and resort operations.

Fair value through other comprehensive income (FVOCI) investments - current & noncurrent

Net increase in this account amounted to P162.5 million. The increase can be attributed to higher market value of AFS investments of about P10.4 million; net additions to AFS investments of P134.1 million and unrealized foreign exchange gain for nine months of 2018.

Investments and Advances

The increase in investments and advances were due additional investment made by the parent company amounting to P102.9 million and the unrealized foreign exchange gain related to foreign equity investment of P151.2 million.

Property, Plant and Equipment - net

Decrease can be traced to depreciation amounting to P188.3 million offset by acquisition of property and equipment of P98.6 million, mainly attributable to capital expenditures of the manufacturing, aviation and resort subsidiaries.

Accounts Payable and Accrued Expenses

The decrease was mainly attributable to the payment of liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Dividends Payable

The balance pertained to unencashed checks of stockholders with problematic addresses.

Income Tax Payable

Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for nine months of 2018, partially offset by income taxes paid during the period by the Group.

Long-term Debt (current and noncurrent)

The decrease in the account can be attributed to P480.0 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company when translated to the exchange rate as of September 30, 2018.

Other noncurrent liabilities

Decrease in the account balance was mainly due to the use of deposit from villa owners for back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)

This account includes translation adjustments of Anscor International, Inc., and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by P223.4 million.

Unrealized valuation gains (loss) on FVOCI investments (equity portion)
Decrease in the account is attributable to the decline in market values of FVOCI investments - bonds, from January 1 to September 30, 2018.

Others
There were no commitments for major capital expenditures in 2018.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

Effective January 1, 2018, the Group applied PFRS 9, *Financial Instruments,* which resulted to restatement of September 30, 2017 balances.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended September 30	
	2018	*Restated 2017*
Revenues (excluding investment gains or losses)	***1,321,927***	*635,153*
Investment Gains (Losses)	***(963,695)***	*1,272,937*
Total Comprehensive Income (Loss)	***292,540***	*1,741,268*
Earnings (Loss) Per Share	***0.12***	*0.70*
Market Price Per Share (PSE)	***5.95***	*6.97*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
This year's consolidated gross revenues of P6.9 billion was significantly lower than last year's revenue of P9.4 billion as revenues for 2018 no longer included revenues from the staffing business in the USA which was sold in October 2017. In addition, the gain on increase in market value of FVPL investments last year was P1.3 billion vs a loss of P258.1 million in 2018. These were offset by the increase in sales revenue of PDP Energy, which

was higher by P816.4 million or 15.8%. Also, resort operations reported improved revenues.

Cost of Goods Sold

Increase in cost of goods sold was mainly attributable to higher cost of goods of the wire manufacturing subsidiary due to their increased revenues.

Services Rendered

Cost of service rendered of CMSI was no longer consolidated which primarily explained the decrease in the cost of services from P1.6 billion to P348.2 million.

Operating Expenses

Operating expenses in three quarters of 2017 included the expenses of CMSI, which effectively lowered the Group operating expenses for nine months of 2018 since CMSI was sold on October 19, 2017.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its foreign currency denominated investments in financial assets, offset by foreign exchange loss on its dollar denominated loan.

Interest Expense

Amount in 2018 was slightly lower than 2017 due to payment of long-term loan by the parent company and PDP.

Provision for Income Tax - net

The current provision for income tax of the Group increased due higher taxable income of PDP and the Resort which reported higher profits for nine months of 2018.

Noncontrolling Interests (statements of financial position)

Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for nine months of 2018.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,285,901,246 shares of Anscor. During nine months of 2018, Anscorcon purchased 3.1 million Anscor shares amounting P18.5 million.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended September 30	
	2018	*2017*
Volume sold (MT)	**11,674**	*11,683*
Revenue	**5,985,198**	*5,168,803*
Net Income	***497,334***	*410,949*

PDP Energy's revenue increased by 15.8% in 2018 as against 2017's revenues.

PDP recorded a net income of P497.3 million for nine months of 2018, higher than the P410.9 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 56.9% for nine months of 2018, higher than the 2017 average occupancy rate of 53.9%. Average room rate was P63,091, an increase from last year's average room rate of P52,916. Total hotel revenues amounted to P776.7 million, an improvement from last year's revenues of P591.3 million partially helped by the appreciation of the Philippine peso vis-à-vis US$. Gross operating profit (GOP) of P353.9 million increased by P139.6 million versus 2017's GOP.

Seven Seas reported a consolidated net income of P153.2 million for nine months of 2018, higher by 179% from last year's net income of P55.0 million.

12. Financial Indicators

Significant financial indicators of the Group are the following:

		09/30/2018	Restated 09/30/2017
1.	Book Value Per Share (Note 1)	**15.32**	14.74
2.	Current Ratio (Note 2)	**8.22**	7.37
3.	Debt to Equity Ratio (Note 3)	**0.17**	0.23
4.	Asset to Equity Ratio (Note 4)	**1.19**	1.26
5.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**7.5%**	20.9%
6.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**2.8%**	10.9%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 4 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	09/30/2018	09/30/2017
1. Volume	**11,674**	11,683
2. Revenue	**5,985,198**	5,168,803
3. Net income	***497,334***	410,949

Seven Seas Group

In Thousand Pesos

	09/30/2018	09/30/2017
1. Occupancy rate	**56.9%**	53.9%
2. Hotel revenue	**776,658**	591,271
3. Gross operating profit (GOP)	**353,870**	214,284
4. GOP ratio	**45.6%**	36.2%
5. Net income	**153,234**	54,969

Occupancy rate is based on actual room nights sold over available room nights on a 9-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

102222018002350

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	PW00000002
Company Name	A. SORIANO CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	102222018002350
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Department	CFD
Remarks	

COVER SHEET

PW-02

SEC Registration Number

A. SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BUILDING
GIL J. PUYAT AVENUE COR. MAKATI AVE.
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. JOSHUA L. CASTRO

(Contact Person)

819-0251

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

17-C

(Form Type)

3rd Wednesday of April

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. February 22, 2018
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

1200
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9 - Other Event

Item 9. Other Event

a. Date of Stockholders' Meeting, Record Date and Proxy Validation Date

At the regular meeting of the Board of Directors held on February 22, 2017, the following matters were approved:

1. Date of Stockholders' Meeting	-	**April 18, 2018**
2. Record Date	-	**March 16, 2018**
3. Proxy Validation Date	-	**April 10, 2018**

The Stockholders' Meeting will be held at 10:00 A.M. at the Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, Makati City. The proposed agenda for the Stockholders' Meeting are:

1. Approval of the minutes of previous meeting
2. Presentation of the Chairman and Chief Executive Officer's Message to Stockholders
3. Election of the members of the Board of Directors
4. Appointment of external auditors
5. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting
6. Such other business as may properly come before the meeting

b. Declaration of Cash Dividends

The Board of Directors of A. Soriano Corporation (Anscor), in its meeting held today, February 22, 2018, approved cash dividends as follows:

Regular Cash Dividend – Twenty Centavos (P0.20) per share

Special Cash Dividend – Thirty Centavos (P0.30) per share

both payable on **April 18, 2018** to all stockholders of record as of **March 26, 2018**.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

February 22, 2018

COVER SHEET

P W - 0 2

SEC Registration Number

A . S O R I A N O   C O R P O R A T I O N

(Company's Full Name)

7/ F   P A C I F I C   S T A R   B U I L D I N G

G I L   J.   P U Y A T   A V E N U E   C O R.   M A K A T I   A V E.

M A K A T I   C I T Y

(Business Address: No. Street City/Town/Province)

ATTY. JOSHUA L. CASTRO

(Contact Person)

819-0251

(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

17-C

(Form Type)

3rd Wednesday of April

Month *Day*
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. April 18, 2018
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

1209
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item Nos. 4 and 9

Item No. 4 - Resignations, Removal or Election of Registrant's Directors and Officers

At the annual meeting of stockholders of A. Soriano Corporation held on April 18, 2018, the following were elected directors:

1. Mr. Andres Soriano III
2. Mr. Eduardo J. Soriano
3. Mr. Ernest K. Cuyegkeng
4. Mr. Jose C. Ibazeta
5. Mr. John L. Gokongwei Jr.
6. Mr. Oscar J. Hilado
7. Mr. Roberto R. Romulo

Messrs. Oscar J. Hilado and Roberto R. Romulo are independent directors.

At the organizational meeting of the Board of Directors also held on April 18, 2018, the following were appointed executive officers:

Mr. Andres Soriano III	- Chairman and CEO; President and COO
Mr. Eduardo J. Soriano	- Vice Chairman & Treasurer
Mr. Ernest K. Cuyegkeng	- Executive Vice President & Chief Financial Officer
Mr. William H. Ottiger	- Senior Vice President and Corporate Development Officer
Ms. Narcisa M. Villaflor	- Vice President & Comptroller
Atty. Lorna Patajo-Kapunan	- Corporate Secretary
Atty. Joshua L. Castro	- Vice President & Assistant Corporate Secretary
Ma. Victoria L. Cruz	- Assistant Vice President
Salome M. Buhion	- Assistant Vice President – Accounting Department

And the following were appointed members of the Audit Committee, Compensation Committee, Executive Committee, and Nomination Committee respectively:

Audit Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

Compensation Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Eduardo J. Soriano	Member

Executive Committee:

Mr. Andres Soriano III	Chairman
Mr. Eduardo J. Soriano	Vice Chairman
Mr. Oscar J. Hilado	Member
Mr. Ernest K. Cuyegkeng	Member
Mr. Jose C. Ibazeta	Member

Nomination Committee:

Mr. Eduardo J. Soriano	Chairman
Mr. Oscar J. Hilado	Member
Mr. Roberto R. Romulo	Member

Item No. 9 - Other Event

At the stockholders meeting held on April 18, 2018, Sycip Gorres Velayo & Co. was reappointed as the Corporation's External Auditor.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

April 18, 2018

COVER SHEET

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SEC Registration Number

A . S O R I A N O   C O R P O R A T I O N

(Company's Full Name)

7/ F   P A C I F I C   S T A R   B U I L D I N G
G I L   J.   P U Y A T   A V E N U E   C O R.   M A K A T I   A V E.
M A K A T I   C I T Y

(Business Address: No. Street City/Town/Province)

ATTY. JOSHUA L. CASTRO	819-0251
(Contact Person)	(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. September 7, 2018
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2   3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
   Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
   Address of issuer's principal office

   1209
   Postal Code

8. 8190251
   Issuer's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item Nos. 4 and 9

Item No. 4 - Resignations, Removal or Election of Registrant's Directors and Officers

Effective today, Mr. Eduardo J. Soriano has retired from A. Soriano Corporation (the "Company"), in his capacity as an executive officer as Treasurer of the Company. He will remain as a Director and Vice Chairman of the Board of Directors.

Mr. William H. Ottiger, the Company's Senior Vice President and Corporate Development Officer, has been appointed as the new Treasurer.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

September 7, 2018

A. SORIANO CORPORATION AND SUBSIDIARIES

LIST OF SUBSIDIARIES AND ASSOCIATES
DECEMBER 31, 2018

A. Soriano Corporation has the following direct/indirect subsidiaries and associates as of December 31, 2018:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
IQ Healthcare Investments Ltd.	100%	Manpower Services	Houston, Texas, United States
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	United States
Prople Limited	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
AGP Group Holdings Pte. Ltd. (AG&P) (formerly AGP International Holdings, Ltd.)	27%	Modular Steel Engineering / Construction	British Virgin Island
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
AFC Agribusiness Corporation	81%	Agricultural Land Holding	Philippines

Company	Ownership	Business	Jurisdiction
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Investment Holding	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Fremont Holdings, Inc.	26%	Real Estate Holding	Philippines
ATRAM Investment Management Partners Corp.	20%	Asset Management	Philippines
DirectWithHotels Inc.	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Anscor International, Inc.

Financial Statements

For the Years Ended December 31, 2018 and 2017

Prepared By:

SALOME BUHION

Approved By:

NARCISA VILLAFOR

ANSCOR INTERNATIONAL INC.
BALANCE SHEETS

	December 31	
	2018	2017 (As restated)
ASSETS		
Cash and Cash Equivalents	**$ 1,349,313**	$ 5,169,327
Fair Value Through Profit or Loss (FVPL) Investments (Notes 3, 4 and 5)	**17,029,938**	5,365,188
Receivables (Note 6)	**438,567**	92,835
Investments and Advances (Note 3, 4 and 6)	**26,165,475**	26,165,475
TOTAL ASSETS	**$ 44,983,293**	$ 36,792,826
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**$ -**	$ 885,076
Due to Stockholder (Note 7)	**49,132,027**	49,075,328
Total Liabilities	**49,132,027**	49,960,405
Equity		
Capital Stock	**1**	1
Deficit	**(4,148,734)**	(13,167,580)
Total Deficit	**(4,148,733)**	(13,167,579)
TOTAL LIABILITIES AND EQUITY	**$ 44,983,293**	$ 36,792,826

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017 (As restated)
REVENUES		
Gain (loss) on increaase (decrease) in		
market value of FVPL investments (Note 5)	**$ 9,142,978**	($ 3,546,640)
Interest income	**14,050**	95,073
Dividend income (Note 6)	**2,713**	4,217,591
Gain on sale of long term investment (Note 6)	**-**	11,854,602
Other income	**730,181**	82,731
	9,889,921	12,703,357
Operating expenses	**(871,076)**	(649,502)
Valuation allowances (Note 6)	**-**	(9,976,765)
NET INCOME	**9,018,846**	2,077,090
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE INCOME	**$ 9,018,846**	$ 2,077,090

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

		Capital Stock	Deficit	Total
BALANCE AT JANUARY 1, 2017 (as previously reported)	$	1	($ 14,204,653)	($ 14,204,652)
Effect of adoption of new accounting standards		-	(1,040,017)	(1,040,017)
BALANCE AT JANUARY 1, 2017 (as restated)		1	(15,244,670)	(15,244,669)
Total comprehensive income for the year		-	2,077,090	2,077,090
BALANCE AT DECEMBER 31, 2017		1	(13,167,580)	(13,167,579)
Total comprehensive income for the year		-	9,018,846	9,018,846
BALANCE AT DECEMBER 31, 2018	**$**	**1**	**($ 4,148,734)**	**($ 4,148,733)**

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income	**$ 9,018,846**	$ 2,077,090
Loss (gain) on decrease (increaase) in market values of FVPL investments	**(9,142,978)**	3,546,640
Interest income	**(14,050)**	(95,073)
Dividend income	**(2,713)**	(4,217,591)
Valuation allowances	**-**	9,976,765
Gain on sale of long term investment	**-**	(11,854,602)
Operating gain (loss) before working capital changes	**(140,895)**	(566,771)
Increase in:		
FVPL investments	**(2,521,772)**	(4,616,550)
Receivables	**(345,732)**	(33,906)
Decrease in accounts payable and accrued expenses	**(885,076)**	105,833
Net cash used in operations	**(3,893,475)**	(5,111,394)
Interest received	**14,050**	95,073
Dividend received	**2,713**	4,217,591
Net cash flows used in operating activities	**(3,876,712)**	(798,729)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of long term investment	**-**	26,760,788
Net cash from investing activities	**-**	26,760,788
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to stockholder	**56,698**	(20,802,225)
Net cash flows from (used in) financing activities	**56,698**	(20,802,225)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,820,014)**	5,159,834
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,169,327**	9,493
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,349,313**	$ 5,169,327

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL, INC.
(A Subsidiary of A. Soriano Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Anscor International was incorporated on April 2, 2004 in the British Virgin Islands (BVI) under the International Business Company Act. Cap. 291, primarily to buy, sell, underwrite, invest in, exchange or otherwise acquire, and to hold, manage, develop, deal with turn to account any bonds, debentures, shares, stocks, options, commodities, futures, forward contracts, notes or securities of governments, states, municipalities, public authorities or public or private limited or unlimited companies in any part of the world and to lend money either unsecured or against the security of any of the aforementioned property.

The registered office of the Company is at IFS Chambers, Road Town, Tortola, British Virgin Islands.

The Company is not required to file audited financial statements in BVI.

2. Basis of Preparation

Basis of Preparation
The Company financial statements have been prepared on a historical cost basis, except for securities available-for-sale (AFS) investments that have been measured at fair value. The accompanying financial statements have been prepared using the historical cost basis and are presented in US$, which is the Company's functional and presentation currency, and rounded to the nearest dollar, except otherwise stated.

3. Summary of Significant Accounting Policies

Investments in Subsidiaries and Associates
Investments in Subsidiaries
Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates
Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the financial statements. Dividends received are reflected as income in the statements of income.

The Company's subsidiaries and associates with the respective percentages of ownership as of December 31, 2018 and 2017 follow:

Name of Subsidiary/Associates	**Principal Activities**	**Country of Incorporation**	**% Equity Interest 2018**	**2017**
IQ Healthcare Investments Limited (IQHIL))	Healthcare Services	USA	**100**	100
IQ Healthcare Professional Connection, LLC (IQHPC)	Healthcare Services	USA	**93**	-
Prople Limited (Prople)	Business Processing Outsourcing	Hongkong	**32**	-
AGP Group Holdings Pte. Ltd. (AGPI)	Holding	Singapore	**27**	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	USA	**21**	21

Fair Value Measurement
The Company 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 Company.

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 Company 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 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 Company 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 Company'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 Company'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 Company'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 Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company 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 Company's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company'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 Company has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading, 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 Company 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.

Financial assets and financial liabilities at FVPL are recorded in the 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 Company has designated as FVPL all equity investments, amounting to $17.0 million and $5.4 million, respectively. No financial liability at FVPL is outstanding as at December 31, 2018 and 2017.

(b) Financial assets at amortized cost (debt instruments)

The Company 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 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 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 profit or loss.

Included under financial assets at amortized cost are cash in banks, short-term investments and other receivables.

(c) Financial assets at FVOCI (debt instruments)

The Company 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 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 Company holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding FVOCI investments are reported as interest income using the effective interest rate.

The Company 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 Company has no FVOCI investments.

(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 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 Company 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 Company's accounts payable and accrued expenses.

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 Company of similar financial assets) is derecognized or removed from the balance sheet where:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company 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 profit or loss.

Impairment of Financial Assets

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the 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 profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 balance sheet. The Company 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 Company and all of the counterparties.

The following specific recognition criteria must be met before revenue is recognized:

Other Income

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends

Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental

Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses

Costs and expenses are recognized in the 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.

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 profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Company 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.

Impairment of Nonfinancial Assets
At each reporting date, the Company 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 Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's 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 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.

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.*

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the 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.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the Company financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the company financial statements.

Determination of functional currency
The Company's functional currency was determined to be US Dollar ($). It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the balance sheets.

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Company determines the business model at a level that reflects how Company's 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 Company made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

Estimates and Assumptions
The key assumptions concerning the future and key sources of estimation and uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of receivables
For the advances to related parties, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Company's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. There is no allowance for doubtful accounts as of December 31, 2018 and 2017.

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.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Company'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 Company.

Unquoted FVPL equity investments amounted to $3.1 million and $2.3 million as December 31, 2018 and 2017, respectively.

Impairment of FVOCI debt investments
For FVOCI debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the credit risk on that financial instrument has increased significantly since initial recognition.

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 Company'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 $26.2 million as at December 31, 2018 and 2017.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

5. Fair Value Through Profit & Loss Investments (FVPL)

	2018	2017 (As Restated)
Quoted equity shares		
Y-mAbs Therapeutics, Inc.	**$ 13,930,304**	$ 3,049,166
Unquoted equity shares		
Pacific Synergies Venture Partners Limited	**897,168**	897,168
Madaket, Inc.	**592,820**	192,595
Navegar GP Ltd	**335,672**	969,449
Sierra Madre Philippines I LP	**896,049**	-
Medifi	**350,000**	-
Element Data, Inc.	**27,925**	256,811
	3,099,634	2,316,023
	$ 17,029,938	$ 5,365,189

The FVPL unquoted equity shares include the following:

a. In December 2015, IQHPC invested $1.0 million in Y-mAbs Therapeutics, Inc. (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 $0.75 million. In November 2016, IQHPC transferred all its investment of 399,544 shares of common stock in Y-mAbs to the Company.

   On January 6, 2017 and September 25, 2017, the Company made additional investment to Y-mAbs amounting to US$0.3 million and US$1.0 million, respectively.

   In 2018, the Company made an additional investment of $2.3 million in Y-mAbs.

   In 2018, the Company recognized $8.6 million unrealized gain on fair value adjustment in its investment in Y-mAbs which is presented in the statement of comprehensive income.

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b. In May 2017, the Company invested US$1.0 million in equity shares at Madaket Inc., the owner of Madaket Healthcare. Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

   The Company recognized fair value adjustment in its investment in Madaket, Inc. amounting to a gain of $0.4 million and a loss of $0.8 million in 2018 and 2017, respectively.

c. In March 2013, AI invested US$0.6 million in Navegar I L.P. (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.

   In October 2018, the disposal of Navegar's investments resulted to the return of capital and gain amounting to US$0.3 million and US$0.8 million, respectively.

   In 2018 and 2017, AI recognized fair market value adjustment in its investment in Navegar amounting to a loss of $0.4 million and a gain of $0.3 million, respectively.

d. In 2017, the Company entered into an equity investment agreement with Sierra Madre Philippines I LP (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, the Company made additional investments to Sierra Madre amounting to $1.0 million.

   In 2018 and 2017, the Company recognized losses on fair value adjustment amounting to $0.1 million and $0.2 million, respectively.

   In 2018, a receivable related to the excess drawdown for investment in Sierra Madre of $0.3 million was recognized and is presented as "Receivable" in the balance sheet. The excess fund was subsequently collected in 2019.

e. In June 2017, the Company invested US$1.0 million in Series Seed preferred shares of Element Data, Inc. (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 Company's investment in Behavior Matrix, an associate of the Company.

   In December 2017, the Company invested additional US$1.0 million in Series Seed preferred shares of Element Data.

   In 2018 and 2017, the Company recognized losses on fair value adjustment amounting to $0.2 million and $1.7 million, respectively in its investment in Element Data.

6. Investments and Advances

	2018	2017
Investments in subsidiaries and associates		
AGP Group Holdings Pte. Ltd. – net of valuation allowance of $18.8 million in 2018 and 2017	**$ 26,165,475**	$ 26,165,475
Prople Limited – net of valuation allowance of $5.3 million in 2018 and 2017	**-**	-
BehaviorMatrix, LLC – net of valuation allowance of $6.8 million in 2018 and 2017	**-**	-
	$ 26,165,475	$ 26,165,475

The significant transactions involving the company's investments in subsidiaries and associates for 2018 and 2017 follow:

AGP Group Holdings Pte. Ltd. (AG&P) (formerly AGP International Holdings Ltd., AGPI)
In December 2011, the Company entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note.

The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, the Company converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, the Company signed a definitive agreement with AGPI amounting to US$40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased the Company's holdings to 27% giving the Company significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to $45.0 million. As at December 31, 2018 and 2017, the carrying value of the investment amounted to $26.2 million.

<u>BehaviorMatrix, LLC (BM)</u>
In October 2011, the Company entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

In July 2015 and March 2014, the Company made additional investment in Predictive amounting to $0.5 million and $1.0 million, respectively.

In March 2016, the Company invested an additional $0.437 million through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and the Company invested an additional $0.814 million for a 20.5% shareholding in BM. The increased ownership allows the company to exercise significant influence over BM.

<u>Prople Limited (Prople)</u>
In November 2013, the Company invested in US$4.0 million convertible notes to Prople Limited. In August 2015, the Company purchased Tranche C notes of Prople amounting to US$0.5 million. These notes are convertible at the option of the holder into common shares of Prople. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippines (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, the Company converted the notes to equity, giving the Company a 32% equity stake and significant influence over Prople.

<u>Cirrus</u>
On October 19, 2017, the company, through its wholly-owned subsidiary, IQHIL, enter into a Merger Agreement with Webster Capital Management LLC, a US-based company, effectively selling the Company's entire shareholdings in Cirrus equivalent to 93.55% of the latter's total outstanding shares.

Total gain on disposal of Cirrus recognized in the 2017 amounted to $11.9 million.

Cash dividends received by the Company amounted to $4.2 million for 2017.

7. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the ordinary course of business, the Company obtains cash advances from its shareholder, ANSCOR, to finance its working capital requirements and investments in various companies.

	Amount/Volume		Outstanding Balance			
	2018	2017	**2018**	2017	Terms	Condition
Anscor	**$4,456,722**	$ 4,267,169	**$49,132,027**	$ 49,075,328	Non-interest bearing	Unsecured

8. Financial Instruments and Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, investments in unquoted equity securities, investments in mutual and hedge funds. The Company's other financial instruments include accounts payable, which arose directly from operations.

The Company's investment objectives consist mainly of:
a) maintaining a bond portfolio that earns adequate cash yields and
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. These risks are monitored by the Company.

The Company evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Company is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Company is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Company does not have a counterparty that accounts for more than 10% of the company revenues.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Company transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Liquidity risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Company ensures investments have ample liquidity to finance operations and capital requirements.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due.

Market risk
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Company. The Company is exposed primarily to the financial risks of changes in interest rates, foreign currency risk, and equity price risks.

Investments exposed to market risk are equity instruments, and mutual fund/hedge fund investments.

There has been no change to the Company's manner of managing and measuring the risk.

Capital management
The primary objective of the Company's capital management is to ensure an adequate return to its shareholder and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2018 and 2017.