

COVER SHEET

for
SEC FORM 17- Q

SEC Registration Number

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COMPANY NAME

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

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

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

Form Type

1	7	-	Q	
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 (AMENDED)

Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

	N	A	
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COMPANY INFORMATION

Company's Email Address

info@anscor.com.ph

Company's Telephone Number/s

819-0251

Mobile Number

N/A

No. of Stockholders

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Annual Meeting
Month/Day

Third Wednesday of April

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Narcisa M. Villaflor

Email Address

nancievillaflor1029@gmail.com

Telephone Number/s

819-0251

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

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

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

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

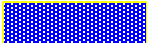
SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

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

1. For the quarterly period ended September 30, 2019
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
hilippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office Postal Code
- 8190251
8. Issuer's telephone number, including area code
- N/A
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

Yes [x] No []

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

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

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

Yes ☒ No ☐

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

Yes ☐ No. ☒

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

Please see SEC FORM 17-Q - Table of Contents

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

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

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

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


SIGNATURES

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

Issuer:

A. SORIANO CORPORATION

Signature and Title:


(Sgd.) JOSHUA CASTRO
VP- Asst. Corporate Secretary

Date: November 14, 2019

Principal Financial/Accounting Officer/Controller:
Signature and Title


(Sgd.) NARCISA M. VILLAFLOR
VP - Comptroller

Date: November 14, 2019

SEC Form 17-Q
November 14, 2019

A. SORIANO CORPORATION**CONSOLIDATED BALANCE SHEETS**

(In Thousand Pesos Except Earnings Per Share)

	September 30 2019	December 31 2018
ASSETS		
Current Assets		
Cash and cash equivalents	2,819,626	2,765,515
Fair value through profit and loss (FVPL) investments	10,298,682	9,437,947
Receivables	2,114,290	2,270,242
Inventories	984,529	1,030,461
Property development in progress	3,177	3,177
Fair value through other comprehensive income (FVOCI) investments - current	98,018	15,419
Prepayments	34,233	29,004
Other current assets	17,971	16,062
Total Current Assets	16,370,526	15,567,828
Noncurrent Assets		
FVOCI investments - net of current portion	657,841	678,904
Investments and advances	1,412,791	1,581,844
Goodwill	1,302,276	1,302,276
Property and equipment	2,536,813	2,560,830
Investment properties	238,011	238,105
Retirement plan asset	62,977	65,392
Deferred tax assets	75,513	75,513
Other noncurrent assets	208,712	219,319
Total Noncurrent Assets	6,494,934	6,722,184
TOTAL ASSETS	22,865,460	22,290,011

LIABILITIES AND EQUITY**Current Liabilities**

Notes payable	-	250,000
Accounts payable and accrued expenses	921,823	807,181
Dividends payable	283,975	285,829
Income tax payable	157,605	103,460
Current portion of long-term debt	393,781	635,690
Total Current Liabilities	1,757,183	2,082,160

(Forward)

	September 30	December 31
	2019	2018
Noncurrent Liabilities		
Long-term debt - net of current portion	265,000	502,397
Deferred income tax liabilities - net	460,887	449,755
Retirement benefits payable	11,394	12,858
Other noncurrent liabilities	133,228	143,406
Total Noncurrent Liabilities	870,510	1,108,416
Total Liabilities	2,627,693	3,190,576
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	2,500,000	2,500,000
Additional paid-in capital	1,605,614	1,605,614
Cumulative translation adjustment	357,803	385,513
Unrealized valuation gains (losses) on FVOCI investments	16,032	(8,129)
Remeasurement on retirement benefits	39,853	39,853
Retained Earnings		
Appropriated	7,150,000	7,150,000
Unappropriated	10,516,179	9,259,614
Cost of shares held by a subsidiary	(2,475,531)	(2,356,556)
	19,709,949	18,575,909
Noncontrolling interests	527,818	523,526
Total Equity	20,237,767	19,099,435
TOTAL LIABILITIES AND EQUITY	22,865,460	22,290,011

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2019	2018	2019	2018
REVENUES				
Sale of goods - net	6,005,150	5,985,198	2,091,128	1,978,669
Services	936,274	943,879	188,520	211,579
Dividend income	308,919	231,694	79,908	12,073
Interest income	92,549	78,378	39,004	24,898
Equity in net earnings (losses) of associates	(232,054)	(127,414)	(33,093)	(130,967)
	7,110,837	7,111,734	2,365,467	2,096,251
INVESTMENT GAINS (LOSSES)				
Gain (loss) on increase (decrease) in market values of FVPL investments	741,443	(258,089)	(679,298)	877,570
Gain on sale of FVOCI investments	3,273	847	2,893	1,009
Gain on sale of long-term investment	-	25,573	-	25,573
	744,716	(231,669)	(676,405)	904,153
	7,855,553	6,880,065	1,689,062	3,000,404
Cost of goods sold	(4,867,130)	(4,998,646)	(1,672,289)	(1,660,770)
Services rendered	(310,694)	(348,178)	(88,994)	(112,495)
Operating expenses	(786,598)	(837,678)	(231,953)	(259,725)
Interest expense	(35,277)	(57,414)	(9,647)	(17,756)
Foreign exchange gain (loss)	(24,291)	168,800	26,355	30,134
Valuation allowances - net	-	(18,938)	-	(18,938)
Other income (charges)- net	79,626	46,922	(3,069)	(1,543)
	(5,944,363)	(6,045,132)	(1,979,596)	(2,041,093)
INCOME (LOSS) BEFORE INCOME TAX	1,911,190	834,933	(290,534)	959,311
PROVISION (BENEFIT) FOR INCOME TAX				
Current	293,612	238,861	96,570	59,572
Deferred	(2,672)	18,903	5,006	5,635
	290,939	257,764	101,576	65,207
NET INCOME (LOSS)	1,620,250	577,168	(392,110)	894,104

(Forward)

	Periods Ended September 30		Quarters Ended September 30	
	2019	2018	2019	2018
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on FVOCI investments	37,788	(31,985)	10,444	(963)
Realized gain on sale of FVOCI investments	(3,273)	(847)	(2,893)	(1,009)
Unrealized loss on remeasurement of retirement Benefits	-	(4,211)	-	1,105
Cumulative Translation Adjustment	(27,710)	223,407	39,230	50,354
Income Tax Effect	(10,354)	11,113	(2,265)	260
OTHER COMPREHENSIVE INCOME (LOSS)	(3,550)	197,477	44,516	49,747
TOTAL COMPREHENSIVE INCOME (LOSS)	1,616,700	774,646	(347,594)	943,851
Net Income (Loss) Attributable to:				
Equity holders of the parent	1,559,409	514,478	(384,689)	894,535
Minority interest	60,841	62,691	(7,422)	(432)
	1,620,250	577,168	(392,110)	894,104
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the parent	1,555,859	711,955	(340,172)	944,282
Minority interest	60,841	62,691	(7,422)	(432)
	1,616,700	774,646	(347,594)	943,851
Earnings Per Share				
Basic/Diluted, for net income (loss) attributable to equity holders of the Parent	1.31	0.42	(0.32)	0.74
Earnings Per Share				
Basic/Diluted, for total comprehensive income (loss) attributable to equity holders of the Parent	1.30	0.59	(0.28)	0.78

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gain (Loss) on FVOCI Investments	Remeasurement on Retirement Benefits	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2017	2,500,000	1,605,614	(26,357)	14,158	57,995	295,582	7,150,000	9,059,814	(2,324,315)	458,645	18,791,135
Comprehensive income (loss)	-	-	-	(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)
Balance at 09/30/2018	2,500,000	1,605,614	(18,300)	(8,824)	55,047	518,989	7,150,000	8,965,705	(2,342,832)	471,427	18,896,826
Balance at 12/31/2018	2,500,000	1,605,614	-	(8,129)	39,853	385,513	7,150,000	9,259,614	(2,356,556)	523,526	19,099,435
Comprehensive income (loss)	-	-	-	24,160	-	(27,710)	-	1,559,409	-	60,841	1,616,700
Cash dividends - net	-	-	-	-	-	-	-	(302,844)	-	-	(302,844)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(118,975)	-	(118,975)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(56,550)	(56,550)
Balance at 09/30/2019	2,500,000	1,605,614	-	16,032	39,853	357,803	7,150,000	10,516,179	(2,475,531)	527,818	20,237,767

A. SORIANO CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	1,911,190	834,933	(290,534)	959,311
Adjustment for:				
Equity in net losses of associates	232,054	127,414	33,093	130,967
Depreciation and amortization	192,419	188,283	65,561	61,740
Interest expense	35,277	57,414	9,647	17,756
Foreign exchange loss (gain)	13,121	(96,568)	(11,595)	(5,285)
Loss (gain) on decrease (increase) in market values of FVPL investments	(741,443)	258,089	679,298	(877,570)
Dividend income	(308,919)	(231,694)	(79,908)	(12,073)
Interest income	(92,549)	(78,378)	(39,004)	(24,898)
Gain on sale of FVOCI investments	(3,273)	(847)	(2,893)	(1,009)
Gain on sale of property and equipment	(1,640)	(449)	(1,640)	(346)
Valuation allowances - net	-	18,938	-	18,738
Gain from sale of long-term investments	-	(25,573)	-	(25,573)
Operating income before working capital changes	1,236,237	1,051,563	362,026	241,758
Decrease (increase) in:				
FVPL investments	(134,375)	(452,641)	(546,460)	(545,010)
Receivables	155,952	(460,002)	(54,326)	(258,743)
Inventories	45,932	(244,150)	71,878	(1,054)
Increase (decrease) in:				
Accounts payable and accrued expenses	114,642	(117,196)	237,735	(2,050)
Retirement benefits payable	951	(8,134)	(479)	(1,766)
Net cash generated from (used in) operations	1,419,339	(230,559)	70,374	(566,865)
Dividend received	308,919	231,694	79,908	12,073
Interest received	92,549	78,087	39,004	24,782
Interest paid	(35,277)	(57,414)	(9,647)	(17,756)
Income taxes paid	(239,467)	(199,671)	(57,473)	(60,351)
Net cash flows from (used in) operating activities	1,546,063	(177,863)	122,166	(608,117)

(Forward)

	Periods Ended September 30		Quarters Ended September 30	
	2019	2018	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	133,060	76,049	81,081	42,103
Long-term investments	-	3,262	-	3,262
Property and equipment	1,640	3,480	1,640	2,212
Addition to:				
FVOCI investments	(165,378)	(210,165)	(42,918)	(11,024)
Long-term investments	(80,612)	(102,946)	(70,408)	-
Investment properties	94	(435)	(1)	-
Property and equipment	(168,402)	(101,617)	(72,861)	(43,214)
Decrease (increase) in:				
Prepayments and other assets	3,469	(31,810)	11,406	(33,227)
Other noncurrent liabilities	(10,177)	(48,379)	796	(9,277)
Advances to affiliates	(1,211)	2,828	341	1,837
Net cash flows used in investing activities	(287,516)	(409,733)	(90,923)	(47,328)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Notes payable	(250,000)	-	-	(200,000)
Long-term debt	(473,095)	(479,955)	(157,702)	(162,639)
Cash dividends	(304,698)	(570,534)	-	-
Company shares purchased by a subsidiary	(118,975)	(18,517)	(17,518)	(18,517)
Increase (decrease) in:				
Deferred revenue	-	-	-	9,242
Minority interest	(56,550)	(37,801)	-	1,389
Net cash flows used in financing activities	(1,203,317)	(1,106,806)	(175,220)	(370,525)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS				
	(1,119)	110,533	4,900	31,008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	54,111	(1,583,869)	(139,077)	(994,962)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
	2,765,515	3,255,535	2,958,703	2,666,628
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	2,819,626	1,671,665	2,819,626	1,671,665

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	September 30 2019	December 31 2018
ASSETS		
Cash and Cash Equivalents	995,380	1,193,946
Fair Value through Profit and Loss (FVPL) Investments	8,980,754	8,455,478
Fair Value through Other Comprehensive Income (FVOCI) Investments	755,859	694,323
Receivables - net	403,095	443,160
Investments and Advances- net	7,271,604	7,190,993
Property and Equipment - net	10,172	15,984
Retirement Plan Asset	62,832	62,832
Other Assets	1,298	982
TOTAL ASSETS	18,480,994	18,057,699
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	37,703	41,664
Dividends Payable	283,975	285,829
Long-term Debt	234,189	591,525
Deferred Income Tax Liabilities - net	125,203	111,524
Total Liabilities	681,070	1,030,541
Equity		
Capital Stock - 1 Par Value	2,500,000	2,500,000
Additional Paid-in Capital	1,589,800	1,589,800
Unrealized Valuation Gains on FVOCI Investments	16,032	(8,129)
Remeasurement on Retirement Benefits	36,455	36,455
Retained Earnings		
Appropriated	7,150,000	7,150,000
Unappropriated	6,507,638	5,759,032
Total Equity	17,799,925	17,027,158
TOTAL LIABILITIES AND EQUITY	18,480,994	18,057,699

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2019	2018	2019	2018
REVENUES				
Dividend income	821,369	1,186,343	245,908	262,073
Interest income	85,089	74,648	36,206	22,722
Management fees	73,341	60,936	27,117	17,934
	979,799	1,321,927	309,230	302,728
INVESTMENT GAINS (LOSSES)				
Gain (loss) on increase (decrease) in market values of FVPL investments	551,692	(964,541)	(802,750)	179,223
Gain on sale of FVOCI investments	3,273	847	2,893	1,009
	554,965	(963,695)	(799,857)	180,233
	1,534,764	358,232	(490,627)	482,961
Operating expenses	(124,773)	(182,501)	(29,028)	(47,713)
Foreign exchange gain (loss)	(23,586)	160,446	24,787	27,739
Interest expense	(16,004)	(31,610)	(4,007)	(10,061)
Others - net	9,824	37,655	4,298	20,602
	(154,539)	(16,011)	(3,951)	(9,434)
INCOME (LOSS) BEFORE INCOME TAX	1,380,225	342,221	(494,578)	473,527
PROVISION FOR INCOME TAX				
Current	3,294	1,800	1,440	605
Deferred	3,324	24,899	7,005	7,634
	6,618	26,699	8,445	8,239
NET INCOME (LOSS)	1,373,607	315,522	(503,023)	465,288
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on FVOCI investments	37,788	(31,985)	10,444	(963)
Realized gain on sale of FVOCI investments	(3,273)	(847)	(2,893)	(1,009)
Income tax effect	(10,354)	9,849	(2,265)	592
OTHER COMPREHENSIVE INCOME (LOSS)	24,160	(22,982)	5,286	(1,381)
TOTAL COMPREHENSIVE INCOME (LOSS)	1,397,767	292,540	(497,737)	463,908
Earnings Per Share:				
Net income (loss)	0.55	0.13	(0.20)	0.19
Total comprehensive income (loss)	0.56	0.12	(0.20)	0.19

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains (loss) on FVOCI Investments	Remeasurement on Retirement Benefits Gain	Retained Earnings		Total
					Appropriated	Unappropriated	
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)
Balance at 09/30/2018	2,500,000	1,589,800	(8,824)	53,817	7,150,000	5,301,529	16,586,321
Balance at 12/31/2018	2,500,000	1,589,800	(8,129)	36,455	7,150,000	5,759,032	17,027,158
Comprehensive income	-	-	24,160	-	-	1,373,607	1,397,767
Cash dividends	-	-	-	-	-	(625,000)	(625,000)
Balance at 09/30/2019	2,500,000	1,589,800	16,032	36,455	7,150,000	6,507,638	17,799,925

A. SORIANO CORPORATION**PARENT COMPANY STATEMENTS OF CASH FLOWS**

(In Thousand Pesos)

	For the Periods Ended September 30		Quarters Ended September 30	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	1,380,225	342,221	(494,578)	473,527
Adjustment for:				
Unrealized foreign exchange loss (gain)	22,009	(160,446)	(26,894)	(27,739)
Interest expense	16,004	31,610	4,007	10,061
Depreciation and amortization	5,959	7,049	1,969	2,418
Dividend income	(821,369)	(1,186,343)	(245,908)	(262,073)
Loss (gain) on decrease (increase) in market values of FVPL investments	(551,692)	964,541	802,750	(179,223)
Interest income	(85,089)	(74,648)	(36,206)	(22,722)
Gain on sale of FVOCI investments	(3,273)	(847)	(2,893)	(1,009)
Gain on sale of property and equipment	-	(41)	-	-
Operating income (loss) before working capital changes	(37,226)	(76,902)	2,247	(6,760)
Increase (decrease) in:				
Receivables	40,066	(263,002)	30,074	(235,997)
FVPL investments	11,333	429,747	(488,123)	283,475
Increase (decrease) in accounts payable and accrued expenses	(3,960)	(5,109)	(529)	2,093
Net cash generated (used in) operations	10,212	84,735	(456,330)	42,811
Dividend received	655,369	421,343	204,908	137,073
Interest received	85,089	74,357	36,206	22,607
Interest paid	(16,004)	(31,610)	(4,007)	(10,061)
Income tax paid	(3,294)	(1,800)	(1,440)	(605)
Net cash flows from (used in) operating activities	731,372	547,025	(220,664)	191,824

(Forward)

	For the Periods Ended September 30		Quarters Ended September 30	
	2019	2018	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	133,060	76,049	81,081	42,103
Property and equipment	-	1,205	-	-
Redemption of preferred shares	-	10,000	-	-
Additions to:				
FVOCI investments	(165,378)	(210,165)	(42,918)	(11,024)
Long-term investments	(80,612)	(102,946)	(70,408)	-
Property and equipment	(148)	(5,278)	(38)	(1,603)
Increase in:				
Advances to affiliates	(156,155)	40,705	(25,534)	(139,713)
Other assets	(316)	(593)	95	(145)
Net cash flows used in investing activities	(269,547)	(191,022)	(57,721)	(110,382)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	(351,124)	(360,023)	(117,248)	(122,231)
Cash dividends	(304,698)	(570,534)	-	-
Net cash flows used in financing activities	(655,822)	(930,556)	(117,248)	(122,231)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	(4,569)	101,731	4,900	28,166
NET DECREASE IN CASH AND CASH EQUIVALENTS	(198,566)	(472,823)	(390,732)	(12,624)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,193,946	1,696,679	1,386,112	1,236,480
CASH AND CASH EQUIVALENTS AT END OF PERIOD	995,380	1,223,856	995,380	1,223,856

A. SORIANO CORPORATION AND SUBSIDIARIES

Additional Notes to Consolidated Financial Statements

1. Segment Information

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

	Before Eliminations					Eliminations	After Eliminations Consolidated
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total		
09/30/2019							
REVENUE	6,005,150	802,422	1,324,241	1,534,764	9,666,577	(1,811,023)	7,855,553
TOTAL COMPREHENSIVE INCOME	595,725	150,028	1,221,428	1,397,767	3,364,948	(1,748,248)	1,616,700
TOTAL ASSETS	4,456,919	1,693,145	13,593,302	18,480,994	38,224,360	(15,358,900)	22,865,460
INVESTMENTS PORTFOLIO *	19,572	76,906	25,670,207	17,008,217	42,774,902	(30,069,559)	12,705,343
PROPERTY & EQUIPMENT	626,080	739,231	99,959	10,172	1,475,443	1,061,371	2,536,813
TOTAL LIABILITIES	1,049,231	550,347	2,689,508	681,070	4,970,155	(2,342,462)	2,627,693
DEPRECIATION AND AMORTIZATION	56,416	76,240	33,815	5,959	172,431	19,988	192,419

	Before Eliminations					Eliminations	After Eliminations Consolidated
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total		
09/30/2018							
REVENUE	5,985,198	776,658	1,561,581	358,232	8,681,669	(1,801,604)	6,880,065
TOTAL COMPREHENSIVE INCOME	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

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

Note 1 Consolidated other operations also included 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.
- 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, 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 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.
- Quoted and unquoted equity shares previously classified as AFS financial assets are now classified and measured as financial assets at FVPL. Impairment losses on AFS equity investments 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 that were previously carried at cost less impairment were measured at their fair values.

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.

(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", 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

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, 2019 and December 31, 2018:

	Nature of Business	Percentage of Ownership	
		2019	2018
A. Soriano Air Corporation	Services/Rental	100	100
Pamalican Island Holdings, Inc.	Holding	62	62
Island Aviation, Inc.	Air Transport	62	62
Anscor Consolidated Corporation	Holding	100	100
Anscor Holdings (formerly Goldenhall Corp.)	Real Estate Holding	100	100
Akapulko Holdings, Inc.	Real Estate Holding	100	100
Lakeroad Corp.	Real Estate Holding	100	100
Mainroad Corp.	Real Estate Holding	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	100	100
Makisig Holdings, Inc.	Real Estate Holding	100	100
Malikhain Holdings, Inc.	Real Estate Holding	100	100
Mountainridge Corp.	Real Estate Holding	100	100
Rollingview Corp.	Real Estate Holding	100	100
Timbercrest Corp.	Real Estate Holding	100	100
Anscor International, Inc. (AI)	Holding	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	100	100
IQ Healthcare Professional Connection, LLC (IQHPC)	Manpower Services	93	93
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
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 IQHIL, 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 IQHPC is based in the United States of America (USA).

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

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

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

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

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

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

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

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

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

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

Current Versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Investments in Associates

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

	Nature of Business	Percentage of Ownership	
		2019	2018
Associates			
Prople Limited	Business Process Outsourcing	32	32
Vicinetum Holdings, Inc. (VHI)	Holding	32	32
AGP International Holdings Ltd. (AGPI) *	Holding	21	27
Fremont Holdings, Inc. (FHI)	Real Estate	25	25
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 and LNG.*

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.

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.

The principal business location of AIMP, VHI and FHI is the Philippines. AGPI, BM and Prople Limited are based in Singapore, 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

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 of September 30, 2019 and December 31, 2018, 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.

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.

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 September 30, 2019 and December 31, 2018, 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. No financial liability at FVPL is outstanding as at September 30, 2019 and December 31, 2018.

(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 September 30, 2019 and December 31, 2018, the Group's FVOCI investments include investments in bonds.

(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 September 30, 2019 and December 31, 2018, 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.

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.

Rendering of services

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

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

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.

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, 2019 and December 31, 2018.

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 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.

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.

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.

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.

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 2019 and 2018.

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 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.

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 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.

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.

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, 2019.

6. Financial Instruments

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 September 30, 2019:

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Quoted equity shares	P7,225,913	P7,225,913	P–	P–
Unquoted equity shares	1,137,829	-	196,179	941,650
Bonds and convertible note	736,685	736,685	–	–
Funds and equities	845,789	845,789	–	60
Proprietary shares	329,372	329,372	–	–
Others	23,094	23,094	–	–
	10,298,682	9,160,853	196,179	941,650
FVOCI investments:				
Bonds and convertible note	755,859	755,859	–	–
	755,859	755,859	–	–
	P11,054,541	P9,916,712	P196,179	P941,650

As of December 31, 2018

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Quoted equity shares	P6,588,212	P6,588,212	P–	P–
Unquoted equity shares	1,086,226	–	144,576	941,650
Funds and equities	766,122	766,062	–	60
Bonds and convertible note	655,218	655,218	–	–
Proprietary shares	324,377	324,377	–	–
Others	17,792	17,792	–	–
	9,437,947	8,351,662	144,576	941,710
FVOCI investments				
	694,323	694,323	–	–
	P10,132,271	P9,045,985	P144,576	P941,710

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

2019 and 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

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 2018	₱753
Unrealized gain in profit or loss	189
As at 31 December 2018	942
Unrealized gain in profit or loss	—
As at 30 September 2019	₱942

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

For the period ended September 30, 2019 and December 31, 2018, there were no transfers other than mentioned above from Level 1, Level 2 and Level 3 fair value measurements.

7. Financial Condition

There was no other significant change in the Company's Consolidated Balance Sheet as of September 30, 2019 versus December 31, 2018.

Cash and Cash Equivalents

The increase in cash and cash equivalents can be attributed to net cash generated from operating activities partially offset by cash used in investing and financing 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 increase in the account can be attributed to the P741.4 million increase in market value of local traded shares and foreign denominated investment in bonds, stocks and funds. Net additions for the period amounted to P134.4 million and unrealized foreign exchange loss related to foreign denominated investments amounts to P15.1 million.

Receivables

The decrease was mainly attributable to the collection of receivables from customers of the resort and wire manufacturing subsidiaries.

Inventories

The decrease is traced to inventories sold by the wire manufacturing subsidiary and the spare parts and supplies utilized for nine months by the aviation and resort subsidiaries.

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

Net increase in this account amounted to P61.5 million. The increase can be attributed to higher market value of investments of about P34.5 million and net additions to investments of P32.3 million offset by unrealized foreign exchange loss of P8.6 million for nine months of 2019.

Prepayments and other current assets

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

Investments and Advances

The decrease in investments was mainly due to take up of share in the net loss of an associate amounting to P232.0 million and the unrealized foreign exchange loss related to foreign equity investment of P18.8 million. Additions during the year amounted to P80.6 million.

Property and Equipment - net

Decrease can be traced to depreciation amounting to P192.4 million offset by acquisition of property and equipment of P168.4 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 decrease in fund for villa operation which was used for maintenance and capex requirements.

Notes Payable

The decrease in the account was due to payment of short term loan by PDP Energy.

Accounts Payable and Accrued Expenses

The increase was mainly attributable to the recorded 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 nine months of 2019, 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 P473.1 million loan paid by the Parent Company and PDP and the decrease in value of the foreign denominated loans of the Parent Company when translated to the exchange rate as of September 30, 2019.

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 IQHPC. Due to higher value of Philippine peso vis-à-vis US\$, CTA balance decreased by P27.7 million.

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

Increase in the account is attributable to the improved in market values of FVOCI investments (bonds), from January 1 to September 30, 2019.

Others

There were no commitments for major capital expenditures in 2019.

8. Results of Operation

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

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

	Periods ended June 30	
	2019	2018
Revenues (excluding investment gains or losses)	813,799	1,321,927
Investment Gains (Losses)	554,965	(963,695)
Total Comprehensive Income	1,231,767	292,540
Earnings Per Share		
Net Income	0.48	0.13
Total Comprehensive Income	0.49	0.12
Market Price Per Share (PSE)	6.99	5.95

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

Revenues

This year's consolidated gross revenues of P7.9 billion was higher than last year's revenue of P6.9 billion due to the gain on increase in market value of FVPL investments of P741.4 million vs a loss of P258.1 million in 2018. Also, the resort and wire manufacturing operations reported improved revenues.

Cost of Goods Sold

Decrease in cost of goods sold was mainly attributable to lower cost of goods of the wire manufacturing subsidiary.

Cost of Services Rendered

Decrease in cost of services rendered was mainly due to lower cost of services of the aviation operation due to decrease in its revenues.

Operating Expenses

The Group reported lower operating expenses for nine months of 2019 mainly due to decrease in overhead of the Parent Company.

Foreign Exchange Gain (Loss)

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

Interest Expense

Amount in 2019 was slightly lower than 2018 due to payment of long-term loan by the parent company and PDP.

Other income – net

Increase in other income was mainly due to collection of escrow fund related to the sale of Cirrus Medical Staffing, Inc. in 2017.

9. Cash Flows

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

10. Financial information

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

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,305,872,246 shares of Anscor. During nine months of 2019, Anscorcon purchased 17.8 million Anscor shares amounting P119.0 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	
	2019	2018
<i>Volume sold (MT)</i>	11,749	11,674
<i>Revenue</i>	6,005,150	5,985,198
<i>Net Income</i>	595,725	497,334

PDP Energy's revenue slightly increased in 2019 as against 2018's revenues.

PDP recorded a net income of P595.7 million for nine months of 2019, higher than the P497.3 million profit recorded last year due to lower manufacturing cost.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 50.9% for nine months of 2019, lower than the 2018 average occupancy rate of 56.9%. Average room rate was P69,144 an increase from last year's average room rate of P63,091. Total hotel revenues amounted to P802.4 million, an improvement from last year's revenues of P776.7 million.

Seven Seas reported a consolidated net income of P150.0 million for nine months of 2019.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	09/30/2019	09/30/2018
1. Book Value Per Share (Note 1)	16.51	15.32
2. Current Ratio (Note 2)	9.32	8.22
3. Debt to Equity Ratio (Note 3)	0.13	0.17
4. Asset to Equity Ratio (Note 4)	1.16	1.19
5. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	19.9%	7.5%
6. Return on Equity (Net Income)/Equity Attributable to Equity Holdings of the Parent)	7.9%	2.8%

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

	09/30/2019	09/30/2018
1. Volume	11,749	11,674
2. Revenue	6,005,150	5,985,198
3. Net income	595,725	497,334

Seven Seas Group

In Thousand Pesos

	09/30/2019	09/30/2018
1. Occupancy rate	50.9%	56.9%
2. Hotel revenue	802,422	776,658
3. Gross operating profit (GOP)	357,812	353,870
4. GOP ratio	44.6%	45.6%
5. Net income	150,028	153,234

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.